

**EMPOWERING THE BOTTOM OF THE PYRAMID - AN
ANALYSIS OF AN INVESTMENT COOPERATION IN
ANGOLA: THE CASE OF ONI COMMUNICATIONS**

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- Spine -

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Abstract (English)

The purpose of this thesis is to develop a business model for companies that do foresee the Bottom of the Pyramid (BoP) as a promising and challenging market, that can enhance their position in the competitive context. According to Prahalad's definition, "world's 4 billion poor, people who live on far less than \$2 a day", are located at the BoP (Prahalad & Hart, first quarter 2002).

Angola, the target market of this study, is one of the world's poorest countries and one of the fastest growing economies. It started reinventing itself economically and politically, after the end of the civil war in 2002, creating the right conditions for companies to invest. Angola attracted since 2003 over 1.124 projects representing more than USD 4 billion in investment capital. This study describes the benefits Angola, as fast growing economy, brings to foreign investors and the many advantages it presents mostly to Portuguese companies due to its long-relationship with Portugal. Doing business in Angola can lead to an indirect development of other sectors, welfare increase and competition. Based on the experience of ONI Communications in vertical solutions, this study developed a business case where farmers subscribed at a farmer cooperative benefited from information on market prices, new products and farming techniques, or accessed micro-credit. The synergies resulted from the partnership among a Portuguese company, a state-owned Angolan company, and a cooperative with a big impact on the target Market at an educational level, or in both infrastructures and sector development. The long relationship between Portugal and Angola, their common bonds and similarities bring benefits to this partnership.

Angola is a market to be explored, although still living the consequences of the Civil War.

With this study a new way to explore markets similar to Angola was developed and a new way to benefit from its emerging opportunities.

Keywords: BoP market, Agriculture, Telecommunications, Partnership

JEL Classification: F23 - Multinational Firms; International Business; O1 - Economic Development

Resumo

O objectivo deste trabalho é desenvolver um modelo de negócio que sirva de referencia para as empresas que vêm a Base da Pirâmide (BdP) como um mercado promissor e desafiador, fortalecendo a posição da empresa em relação à concorrência. De acordo com a definição de Prahalad, os “4 milhões de pobres que vivem com menos de dois dólares por dia” estão localizados na BdP (Prahalad & Hart, first quarter 2002).

Angola, o mercado-alvo deste estudo, é um dos países mais pobres do mundo e uma das economias de crescimento mais rápido. O país começou a reinventar-se económica e politicamente, após o final da Guerra Civil em 2002, criando condições adequadas para o investimento.

Angola atraiu, desde 2003, mais de 1.124 projectos, o que representam mais de US\$ 4 biliões. Este estudo descreve as vantagens em investir num mercado como Angola, de rápido crescimento económico, trazendo inúmeras vantagens para os investidores estrangeiros. Este tipo de investimento pode, consequentemente, levar ao desenvolvimento indirecto de outros sectores, ao aumento da concorrência e bem-estar das populações.

Com base na experiencia da ONI Comunicações em soluções verticais, é apresentado um estudo de caso, onde os agricultores Angolanos inscritos numa cooperativa local podem beneficiar do acesso à informação quer ao nível dos preços do mercado agrícola, aceder a novos produtos a a novas técnicas de cultivo, ou aceder ao micro-crédito.

As sinergias resultantes da parceria entre uma empresa portuguesa, uma empresa estatal angolana, e uma cooperativa terão como consequência, um grande impacto sobre o mercado-alvo ao nível do ensino, das infra-estruturas e no desenvolvimento do sector agrícola.

O longo relacionamento entre Portugal e Angola, os laços comuns e semelhantes destes dois países trazem benefícios a esta parceria. Com este estudo uma nova forma de explorar mercados semelhantes ao de Angola é apresentada bem como da forma como aproveitar as oportunidades emergentes.

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ABREVIATIONS

| | |
|--------------|--|
| GDP | Gross Domestic Product |
| PPP | Purchasing Power Parity |
| OPEC | Organization of the Petroleum Exporting Countries |
| ANIP | Agência Nacional para o Investimento Privado (<i>National Private Investment Agency</i>) |
| UNACA | Confederação das Associações de camponeses e cooperativas Agropecuárias de Angola (<i>Confederation of farmers and peasant's cooperative associations</i>) |
| PALOP | Países Africanos de Língua Oficial Portuguesa (African Portuguese-speaking countries) |
| MNC | Multinational Corporation |
| FDI | Foreign Direct Investment |
| IFAD | International Fund for Agricultural Development |
| IMF | International Monetary Fund |
| HIV | Human Immunodeficiency Virus |
| NGO | Non-Governmental Organization |
| MPLA | Movimento Popular de Libertação de Angola |
| UNITA | União Nacional para a Independência Total de Angola |
| LDC | Least Developed Country |
| GNI | Gross National Income |
| MDG | Millennium Development Goals |
| UNDP | United Nations Development Programme |
| CADC | Committee for the Support and Promotion of Cooperatives |
| OECD | Organization for Economic Co-operation and Development |

1. Introduction to Research Problem

1.1 Illustration of the Research Problem

The number of participants from developing countries in the Globalized World has increased considerably. They are now more active in terms of world merchandise trade and private flows, consequence of deeper functional integration on a global scale and productive activities (Fold & Larsen, 2008). New technologies, for example, have contributed to the decrease of corruption, illiteracy, or inadequate infrastructure (Greene, 2005).

Developing countries have shown fast growing incomes and integration has helped trigger their development, hence reducing worldwide inequality. There is, however, a gap between regions that make up fifty percent of the world's population, that show signs of a successful integration and successful catching up with the rich world, as the other half of the population lives in countries far away from the globalization or from the benefits it brings (Prahalad & Hammond, 2002). This market comprises 65% of the world's population (four billion people forming the bottom of the Economic Pyramid – BoP) with people earning less than \$ 3.000 a year (in local purchasing power) (Hammond, Kramer, Katz, Tran, & Walker, 2007).

In these markets companies are required to think creatively and their revenue growth for entering can be extremely rapid (Prahalad & Hammond, 2002). The biggest change, though, has to come from executives and the willingness of big, multinational companies to enter and invest in the world's poorest markets (Prahalad C. K., 2009). Microsoft and Intel are examples of companies that own emerging-market divisions focused on developing new products for the BoP (Hammond, Kramer, Katz, Tran, & Walker, 2007).

In Africa the BoP market, worth US\$ 429 billion, is smaller than that of Eastern Europe or Latin America, but it is by far the region's dominant consumer market, with 71% of aggregate purchasing power (Hammond, Kramer, Katz, Tran, & Walker, 2007).

This market offers growth potential (e.g. for engineering and construction companies); they are where raw materials are located (e.g. for extractive companies); they are where most end-users are likely to be located during the coming decades (e.g. for

pharmaceutical companies); or they offer markets with enormous untapped potential (e.g. for financial services companies) (Li, 2008).

1.2 Background of the Research Problem

“These unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power...that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid”

Franklin Roosevelt

“Bottom of the economic Pyramid” was first mentioned by the U.S. president Franklin D. Roosevelt in April 7, 1932 on the radio program *“The Forgotten Man”*.

It was however Professor C.K. Prahalad and Stuart L. Hart who first defined the concept in 1998. The Bottom of the Pyramid is mostly used to refer to the billions of people who live on less than US \$2 per day (Prahalad & Hart, first quarter 2002).

Prahalad defends the benefits multi-national companies get if they choose to serve these markets in ways that go towards the needs of these markets. There are also poverty reducing benefits if multinationals work with civil society organizations and local governments to create new local business models (Prahalad C. K., 2009).

Meanwhile, Hart and his colleague Erik Simanis suggest the use of the concept “Base of the Pyramid” as opposed to “Bottom of the Pyramid” focused on the poor as business partners and innovators, rather than just as potential producers or consumers. This concept has been adopted by the SC Johnson Company and the Solae Company (a subsidiary of DuPont) (Simanis & Hart, 2008).

The business model (defined as how a firm does business so that it sustains itself) for other tiers of the market may not, according to Klein, be suitable for dealing with the challenges of the BoP market. Doing business in the BoP market requires innovation in business models and a departure from traditional business models that serve other tiers of the economic pyramid (Klein, 2008).

On the other hand, the World Bank defines the BoP as a market with low income, significant unmet needs (e.g. no bank account or access to modern financial services), dependence on informal or subsistence livelihoods (e.g. poorly integrated into the

formal economy, thus limiting their economic opportunities), and a market impacted by a BoP penalty (e.g. higher prices for basic goods and services than what the wealthier pay for, and often with lower quality) (Hammond, Kramer, Katz, Tran, & Walker, 2007).

1.3 Objective of the Research

This study is important to every international company in the Telecommunications industry that plans to enter a developing market. It helps the company re-evaluate its strategies that it uses to capture other markets within different business environments. The study will also help similar companies understand the best approach to enter the Telecommunications Industry in a market similar to Angola and the impacts and benefits it brings to other industries.

The practical reasons of the research were limited to individuals in BoP business units operating in two industry sectors, namely agriculture and telecommunications. These sectors were selected on the basis of their relevance and importance in the BoP context. Agriculture is the largest sector in the BoP market whilst the telecommunications sector is the fastest growing sector in the BoP market (Hammond, Kramer, Katz, Tran, & Walker, 2007).

The preparation of this business case has as its main objectives:

- Find business opportunities within BoP markets;
- Develop a thorough reflection on a business project;
- Find the benefits of implementing a Business Plan within a market that is still emerging (with weak competitive environment);
- Assess the economic viability and financial effort needed for this project.

The initial structure of the business plan aims to be focused on a partnership with local and strong entities that help bring value to the business project.

The Angolan Market as part of the BoP market was selected as the subject of the Business Plan. Therefore, the objective of this study is to answer the following four research questions:

- 1) Are there any business opportunities for domestic and foreign companies in Angola?
- 2) Can a person who lives with less than US\$ 2 a day become the target customer of any business?
- 3) Is there any chance companies will survive in Angola, a BoP market?
- 4) Are the Angolan weak infrastructures a constraint for any company operating in the Telecommunications sector?
- 5) What is the most adjusted entry mode in a market that belongs to the Bottom of the Pyramid?

The present study aims to shed new light on this issue from the analysis of a specific firm and its industry. The research strategy used in this study is a Business Case. Its role in this dissertation is to explain and describe the marketing processes of a foreign company – ONI Communications – operating in a BoP market, with experience in vertical solutions. Moreover, this study pays special attention to the market entry strategy in a market like this.

1.4 Dissertation Structure

This study is organized in five chapters.

Chapter I introduces the study's objective and scope. The main reasons for this study are discussed, with the basic purpose of exposing the importance of doing Business in a BoP market. It provides an overview of the size of the BoP and the opportunities within. Chapter II reviews the relevant literature and it is divided into two parts. The first covers the importance of doing business in a BoP market and presents the theoretical developments of marketing processes in that same market. In this part different successful business activities within these markets are presented. The research strategy is explained in the second part of this chapter, in the context of an inductive approach that justified the choice of the qualitative method of statistical published data as the primary source of evidence.

Chapter III is entirely dedicated to Angola. It starts by presenting a brief summary of the target Market of this study: Angola. The remaining sections of this chapter describe the biggest GDP (Gross Domestic Product) contributors and the insufficiently explored

opportunities in Agriculture and Telecommunications. Also in this Chapter the most suitable entry-market strategy for Angola and the environment propitious to new business opportunities (with the help of PESTEL analysis-tool) were presented.

In Chapter V the Business Case is primarily addressed with the definition of the business players. In this Chapter the implementation of a business in Angola was developed, along with the core elements to follow in order to make it come true. The Marketing-Mix-tool was used to help develop the most important elements of a marketing strategy.

This study ends with the presentation of the research's conclusions and with suggestions that can be further explored.

1.5 Motivation for the Research

The target Market of this study is Angola¹, one of the twelve fastest growing economies worldwide, ranking the 5th position with 9,3% Growth Rate (Stanley St Labs)(Figure 1). In 2003, after the 27-year civil war, Angola started taking its first steps towards a fast growing economy (Sean Sheehan, 2010).

The capital of Angola, Luanda, is the world's most expensive city (Figure 2) (Mercer, 2010)², with 4,5 million people. The province of Luanda is also the most important economic area and the most industrialized province with the highest economic growth³. The rest of Angola's infrastructures is very weak in contrast with Luanda, with plural infrastructure accesses. Luanda's refinery, for example, is the only refinery in Angola (producing 37.000 barrels/day), and the majority of the imports occur through Luanda (AICEP, July 2010).

Angola has become an increasingly important economic partner due to its rapid growth, and saw its position strengthened up to the 3rd position as a market destination for Portuguese Direct Investment Abroad (6,8% in 2008 and 7% in 2009). It is the main investment destination within the PALOP⁴ (African Portuguese-speaking countries)

¹ Old Portuguese colony.

² The survey developed by Mercer claims that Luanda is three times as costly as Karachi.

³ This is due to the fact that Luanda practically did not suffer direct effects from the civil war and, also, there has been an exodus of people from the rest of the country to the capital.

⁴ Angola is part of a set of African Portuguese-speaking countries called PALOP (Países Africanos de Língua Oficial Portuguesa) where the Portuguese is the official language. This set of countries includes Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome & Principe

representing about 81% of the investment in that set of countries between 2005-2009. Portugal ranked 1st place in 2008 as Angola's main supplier, with 18,4% market share (AICEP, July 2010).

Angola is an attractive market for the Portuguese investors due to (Jesus, 2009):

- Common experiences Angola and Portugal share, and the unique ability Portuguese entrepreneurs demonstrate when adapting to the Angolan environment;
- Portuguese technology is perfectly suited to the demands of the market;
- Historical, linguistic and cultural bonds both countries share;
- Angola presents an opportunity for investment diversification, business expansion, activity relocation;
- Strong contribution from the Portuguese banks for the financial system in Angola.

2. Literature Review

2.1 Academic Relevance

There have been several major conferences on the BoP-theme. A growing number of authors and researchers are using the term BoP in their writings, and developing theories about BoP ventures. These ideas are crossing sectors, as organizations in the private, non-profit, and development communities are interested in applying BoP ideas to their new initiatives (Gardetti, 2007). Much debate and most of the writings on this perspective have centered around who is in the BoP (Hammond, Kramer, Katz, Tran, & Walker, 2007) and how BoP ventures need fundamentally new market entry strategies (Hart & London, 2005).

Prahalad and Hart (2002) challenged the conventional thinking and assumptions of MNC (Multinational Corporations) that suggested MNCs as incapable of doing business with the poor in a profitable manner. They proposed that the population at the bottom of the economic pyramid presented an untapped opportunity for MNCs, generating significant profits and contributing thus to poverty alleviation (Prahalad & Hart, first quarter 2002).

The proposition claimed by Prahalad and Hart (2002) was reaffirmed by Prahalad and Hammond (2002) and Prahalad (2005). Despite the strong developments on this subject, there has been a fair amount of criticism. Karnani (2007a; 2007b) was one of the earliest critics of this BoP proposition. His major studies were focused on the size of the BoP market that according to him was overstated by Prahalad. Hammond and Hart claimed that the BoP market was too small and, given the challenges in the BoP market, it was unlikely for companies to profit (Karnani, 2007a).

In various writings from Prahalad, the bottom of the pyramid is defined as 4 billion people with an annual per capita income of less than US\$ 1.500 (Prahalad & Hart, first quarter 2002), with 4-5 billion people living on less than US\$ 2 per day (Prahalad C. K., 2009), and approximately 1 billion people living on less than US\$ 1 per day (Prahalad & Hart, first quarter 2002).

Klein (2008) conducted a study on social value creation and on the financial performance of firms, indicating that the BoP presents a further opportunity in that innovations or solutions for the BoP may be relevant to other tiers of the pyramid.

With the arrival of new competitors and new technologies, the developed markets are becoming more and more competitive and saturated, with stock market and other investors typically demanding double digit returns. Developed markets are expected to grow at an average annual rate of less than 3,0% over the foreseeable future. (Hart & Christensen, 2002). This means firms must broaden their search for both new markets to increase revenues and for new sources of supply to reduce costs.

Revenue growth of large companies is challenged as they have saturated their existing market. The BoP market therefore represents an opportunity for MNCs to grow their revenue (Prahalad & Hammond, 2002).

UNDP (2008) suggested that doing business with the poor could be more profitable than doing business with the rich. However, they cautioned that the reason for doing business with the poor is not necessarily immediate profit, but rather long-term competitiveness and growth, which is brought about by innovation in the BoP.

2.2 Framework and Research Strategy

The Bottom of the Pyramid (BoP)¹ is a very little exploited market that covers virtually all developing countries, and where companies are required to think creatively (Prahalad C. K., 2009). There are many companies succeeding in these markets, leading the paradigm shift of companies profitably, where the poor represent a large, lucrative, and sustainable market. One of those companies is *Casas Bahia*, a Brazilian retail chain specialized in furniture and home appliances that operates in the most poor and dangerous neighborhoods in Brazil, the *Favelas* (CasasBahia, 2010). *Cemex*, a worldwide producer of cement in Mexico, together with the *Patrimonio Hoy* program operates in the BoP, and has low-income Mexicans as customer target (CEMEX, 2010). *E-Choupal* in India set up information centers linked to the Internet, connecting farmers with large firms, where current agricultural research and global markets have had a big impact next to the poor (e-Choupal, 2008).

Africa has grown very fast, with emerging businesses opportunities that will be mostly supported by external trends such as the global race for commodities, increased access

¹ A term developed by Stuart Hart and C. K. Prahalad at the Center for Sustainable Enterprise in North Carolina, USA.

to international capital, and ability to forge new types of economic partnerships with foreign investors (Roxburgh et al, 2010).

There are countless win-win opportunities waiting to be discovered in Angola that would help leverage not only company's unique capabilities in supporting social causes, but also improve the competitive context (Porter M. E., On competition, 1998). Angola is a market that is showing signs of its earliest stages of economic development, and the revenue growth for entering can, thus, be extremely rapid (Prahalad & Hammond, 2002). Inspired by the success of *E-choupal* in India, this study presents an overview of the investment opportunities in Angola, and the best strategy suited for this market.

In order to better develop this business case, there were several meetings with ONI Communications² and information requests to Angola Telecom, in order to better understand how to operate in the Angolan Market. After some time reading about Angola Telecom it was considered the ideal Technological Partner. It wasn't possible to contact UNACA (confederation of farmers and peasant's cooperative associations), as calls were answered and they seem not have any way to be contacted through the internet. However, from the information available online about the way UNACA operates, its goals and vision they were considered the most suitable strategic partner for this study, as this local organization deals directly with the end customer, i.e. the Angolan farmers.

² Portuguese company operating in Portugal in the Telecommunications sector

3. BoP – Targeting Angola for Business

“Angola is a stable country economically and politically and propitious to new investments with a growth forecast for this year of 10%.”

Aguinaldo Jaime, Coordinator of the Agência Nacional Para o Investimento Privado (Anip), July 1st 2010, Angola Press (Angop)

3.1 Brief economic profile of Angola

Angola’s economy is expected to continue growing, with a Real GDP growth rate forecasted on the range of 6,5% - 7,5% for 2010 compared to virtual flat growth in 2009, in dollar terms from US\$70 billion in 2009 to around US\$86 billion in 2010. Consumer prices are hoped to decrease from 13,3% in 2010 to 11,3% in 2011 (IMF, 2010) (Figure 3 and Figure 4).

Angola boasts three major commercial ports: Luanda (moving more than 70% of Angolan imports and exports, excluding crude oil), Lobito, and Namibe. Luanda’s port received 2.645 commercial ships in 2004, of which 1.925 were involved in local operations and performed 739 long-haul missions. In 2005 the port handled more than 4 million tons, well above the 3,2 million tones recorded in 2004. The projections are for handling 5,3 million tons in 2010 (World Port Source, 2010).

The banking sector has grown significantly in recent years (Luanda is the third largest banking center in sub Saharan Africa), following the positive developments of major macroeconomic indicators and structural reforms implemented by the government (AICEP, July 2010).

3.2 Angola's Potential Markets

Angola's impressive economic growth rate is driven by the oil sector. Oil production and its support activities contribute to about half of the nation's gross domestic product (GDP) and to 90% of exports (OPEC, 2010). Ricardo Gazel, senior World Bank economist in Angola, defends that Angola should diversify into other sectors, as the dependence on oil makes the economy extremely vulnerable to the forces of the international markets. It is, therefore, important to identify not only the sectors with comparative advantages, such as agriculture, construction, cement and plastic industries, agro-industry and services, but also to identify the barriers, the incentives, the fiscal and work reforms, and the regulations (UNDP Angola, 2009).

The domestic business sector includes a small number of businesses thought to have strong political influence (the so-called *empresarios de confiança*), and barriers to entry are still high (African Economic Outlook, OECD, 2007).

Telecommunications, one of the sectors approached in this study, represents a set of opportunities and has positive impacts (vertical solutions) in other sectors (such as in Agriculture). Doors started opening to investors operating in this sector in 1999, when the Government liberalized the sector, ending the monopoly of the state-owned Angola Telecom (United Nations, 2008).

Agriculture, once self-sufficient in all major food crops, has today, after the Civil War, which ruined the majority of its fields, an enormous potential for production of tropical and subtropical crops thanks to its extensive river systems and varied environment. (FAO, 15-17 December 2008). The two biggest and important rivers in Angola cross the province of Luanda creating the ideal environment for the development of crops that traditionally form the staple diet of the population of Luanda, such as cassava, maize, sweet potatoes, groundnuts, beans and vegetables (AICEP, July 2010).

To sum up, the liberalization of the Telecommunications' sector, the end of the civil war and the willingness of the government to change the strong dependence on the oil sector make Angola a potential market for many international corporations.

3.3 The Biggest GDP Contributors: Oil & Diamonds

Prior to independence in 1975, agricultural exports were the cornerstone of the Angolan economy. However, the structure of the economy shifted substantially after 1973 as the minerals and service sectors increased their share in GDP (United Nations, 2008).

The oil sector represents 60% of the GDP (although their relative importance has diminished significantly in 2008 due to falling oil prices) and 98% of exports (AICEP, July 2010).

Sonangol is a parastatal (a partially state-owned corporation or government agency) that oversees petroleum and natural gas production in Angola. It has the exclusive concession for liquid and gaseous hydrocarbon exploration underground and on the continental platform of Angola. Within this context, Sonangol is working to become a leader in the international market and in particular in the African market, as well as to fulfill a dual role as both an integrated and competitive company and a transforming force in Angola (Sonangol, 2009).

Apart from the foreign direct investment (FDI) being dominated mainly by the petroleum and diamond sectors, the private sector is basically underdeveloped. The manufacturing sector, once capable of producing a wide range of export-quality and quantity products, is expected to recover with the implementation of the Plan for Reindustrialization, which features protection of light and consumer industries (United Nations, 2008).

The volatility of the petroleum markets is an ongoing concern to the government, given the country's high dependence on oil. Angola is sub-Saharan Africa's second largest oil producer behind Nigeria (Figure 5). The majority of Angola's oil reserves are located in offshore blocks, in part because onshore exploration is limited due to the civil war. The main onshore reserves are around the northern city of Soyo and in the disputed Cabinda province (EIA, 2010). Nonetheless, there are concerns over the environmental impact of oil exploration and extraction activities, particularly, the effect of offshore activities on the fishing industry (AICEP Portugal Global, 2009).

Diamonds and other mining activities have also grown significantly with improved access to mining areas and with restructuring and reorganization. The sector's growth rate of over 16% in 2005 almost tripled to 42% in 2006. Growth is expected to cool down thereafter, despite rich reserves. The sector is rife with informal mining and illegal trafficking of precious stones. Furthermore, it faces the threat of diminishing

returns from exploration efforts, which is mainly due to regulatory weaknesses in mining industry, lack of geological database, and absence of qualified personnel, key situations not yet so much addressed (United Nations, 2008).

The importance of oil and mining sectors' contribution has been decreasing mostly due to the attention the Angolan government has been paying to other sectors, sectors where prices don't threaten the economy so hard (Angolan Government, 2006).

4. New Investment Opportunities in Angola: Agriculture & Telecommunications sectors

4.1 Overview of Angola's Agriculture Industry

Agriculture today provides the livelihood of 85% of the population and largely comprises of subsistence production and accounts for less than 10% of the GDP of this oil rich nation (FAO, 15-17 December 2008). In 2008 the employment rate in Angola was of 76,4% (World Bank, 2010). From those 76,4%, 85% work in agriculture and the remaining 15% in industry and services (Central Intelligence Agency, 2010). Yet two-thirds of the population still depends on agriculture for food and income. About 80% of the farmers throughout the country are smallholders¹ (Sean Sheehan, 2010).

Before independence Angola was self-sufficient in most crops and was a major exporter, particularly of coffee and sisal. However, production started decreasing drastically in the 80's, and large quantities of food began to be imported, making Angola dependent on food aid (AICEP, July 2010).

Much of the country's infrastructure is still damaged or undeveloped from the 27-year-long civil war. During the civil war, large numbers of mines were placed on arterial routes across the region, making secondary roads and bridges and large parts of prime agricultural land off-limits. As a result, villagers in the war-torn provinces of Huambo, Bie, and Benguela have not received food relief, medical attention, and education on HIV/AIDS and mines. The people of these villages have also been denied the vital information and assistance needed to revitalize the agricultural economy (Roots of Peace, 2006).

The return of internally-displaced people to the rural areas has led to increased small-scale crops production (FAO, 15-17 December 2008).

4.1.1 Market Evolution

The sector recorded a cumulative growth rate of 67,4 % in real terms for the 2000-2004 period, 24,9 % in 2005 and 30,7% in 2006. In general, agribusiness is expected to benefit from the opening of cold-storage facilities in Luanda and the announcement of a

¹ Very small plots of land with low agricultural productivity.

rehabilitation program for the national cold-storage network (African Economic Outlook, OECD, 2007). This sector has just begun to show results from the resettlement and de-mining programs. Rural development continues, however, to face problems ranging from poor accessibility, market distortions, lack of rural credit, and growing illiteracy (United Nations, 2008). Angola has however made strides in improving the agricultural sector, increasing its contribution to GDP from 5% to 8% (FAO, May 2010). More significant are government plans with an investment amount of US \$49.5 million in this sector, partially financed by IFAD² (8,2 million dollars), the World Bank (30.1 million dollars) and by the Japanese Government (€ 4 million dollars) (IFAD, 2008).

With only 1% of public expenditure in Agriculture, it is fair to say that the sector is marginalized, and of its vast 3,7 million ha of potential irrigation less than 10% is equipped (FAO, 15-17 December 2008).

The IMF (2009) singled out Angola as a rare example of an economy where crude oil drove the nonoil sector instead of destroying it. Agriculture is by far the fastest growing part of the nonoil sector, with its share of national income increasing by a third in 2009, compared with 10% for manufacturing and construction. Difficult business environment and poor infrastructure means that Angola could face growth issues, much like other oil rich countries do. Angolan farmers pay nearly four times more for fertilizers than their U.S. counterparts and three times more than the farmers in Zambia (Angola's neighbor country) (IMF, 2009).

In May 2010, Angola received its first set of credit ratings. Moody's Investors Service Inc. assigned Angola a B1 rating, in line with peers Standard & Poor's Corp. and Fitch Ratings, assigning the African nation a single B-plus rating (Redvers, 2010). The solidly speculative ratings came after the IMF had agreed to provide the country a loan of US\$ 1,4 billion. Both the rating agencies and the IMF focused not so much on Angola's oil wealth as on its ability to tap its fertile land. Standard & Poor's claimed, according to Wall Street Journal, that the Angolan rating "was constrained by our view of the country's narrow economic base" (FAUCON, 2010)

In recent statements, the IMF (2009) said Angola must "lay the foundation for the development of the non-oil sector as a source of sustained growth". One of the ways to

² International Fund for Agricultural Development

help develop agriculture would be to transform this sector from a subsistence-oriented farming system toward a more market-oriented production system (MITC, 2005).

4.1.2 Market Players

This Angolan market is overwhelmed mostly by Non-governmental Organizations focused on applying their efforts to help save this sector, making Angola a potential market for Agriculture, and hence helping enhance the population's life conditions. A good example are Roots of Peace, a California-based nonprofit organization, and World Vision, an international Christian relief and development organization, that are collaborating to implement a project to open access to and revitalize the agricultural sector for rural economic development in the central highlands, a vital step in helping secure a lasting peace in Angola (Roots of Peace, 2006).

While oil is keeping Angola's economy afloat, rating firms, the International Monetary Fund and potential creditors are also focused on the long-term prosperity of agriculture. Also international corporations from China, South-kwanza, Great Britain, India, USA, Italy, and Brazil plan to invest millions of dollars in Angola's Agriculture. Angola has great potential in terms of land and water resources and it is now rebuilding infrastructure like roads in order to create an environment that is favorable for investments in the farming sector (InternetWorldStats, 2010) (Figure 6). Oil companies, including Total SA of France, plan to invest in areas that will boost Angola's farming sector, helping to diversify the nation's economy. U.K. oil major BP PLC, with partners, runs a microcredit program in Angola, where small loans of as little as \$100 can help turn a subsistence farmer into an entrepreneur, and has separately financed a system to irrigate land in the Mabuia area. U.S. oil company Chevron Corp. owns a stake in microcredit bank NovoBanco, which lent \$5 million to farmers in 2009. It also has poured US \$3 million into a program, which it runs with others, to train more than 5.500 farmers in agricultural techniques and help them access international markets.

4.1.3 Market Limitations

Agriculture in Angola is of great potential, with fertile soil, a favorable climate, and about 57,4 million ha (hectares) of agriculture land (land that can be used to produce food), including more than 5 million ha of arable land (land that can be used to grow crops). Agriculture is currently expanding due to the end of the Angolan civil war and the growth of foreign investment in the sector. However the return of productivity in rural areas has been difficult and slow. In general, food crops are grown by subsistence farmers using traditional technology, little agricultural input, with low productivity, but some regions have seen the re-activation of commercial farming on a larger scale (WINNE, 2005) (Figure 7).

Traditional subsistence crops are cassava, beans and sweet potatoes in the north, maize in the central provinces, and corn and sorghum in the south. Other crops include bananas, rice, cane sugar, palm oil, cotton, coffee, sisal, tobacco, sunflower, citrus and other fruits and many vegetables (AICEP, July 2010).

Large areas still cannot be cultivated because of the presence of land mines. Functioning infrastructure in rural areas is limited, and there are few incentives for people to return to farming, hence the mass migration to cities such as Luanda, in order to find work. After the war, only 2,9 million ha of the available agricultural land was cultivated. Agriculture's contribution to GDP – including forestry and fisheries – was of 6,8% in 2008 (annex 14) (Sean Sheehan, 2010).

Over the past thirty years Angola has been dependent on food imports and on food aid, however the Food and Agriculture Organization of the United Nations (FAO) and the World Food Program (WFP) found that food security in most regions is improving rapidly. An estimated 90% of the resettled population is engaged in agricultural production, and around 800.000 people required both food and non food assistance such as planting materials and other farm inputs during 2006/7. This is a significant reduction on the 1.9 million people that required assistance in 2003, and the 1,4 million in 2004. Angola's potential for once again becoming a major food producer in the region could be realized through an appropriate mix of policies and measures, including the adoption of mature food production technologies and farming techniques (Goodbody, Zappacosta, Dradri, & Gunjal, 2005).

4.2 Overview of Angola's Telecommunications Industry

Globalization³ of food security is, according to Professor Dr. L.O.Aina, based on comparative advantage, where a nation produces crops in which it has a comparative advantage and imports those, from countries where crops are produced at a cheaper price, which could not be produced locally and efficiently. It also promotes integration of small-farm holdings into a larger mechanized farming, and the removal of subsidies on farm inputs, such as fertilizers. (WLIC Durban, 2007). Griffith and Smith described global information as “telecommunications infrastructure that links homes, businesses, schools, hospitals, libraries to each other and to the vast array of electronic information resources” (Griffith & Smith, 1994).

For African farmers to benefit from the gains of globalization they need to be provided with regular information in a format that would be comprehensible to them, taking into cognizance the prevailing high illiteracy rate, cultural divergence and limited technology (WLIC Durban, 2007). Information infrastructure in many African countries is abysmal, and farmers still lack access to latest innovations in farming practices. Hence telecommunication infrastructures constitute an important component of global information (WLIC Durban, 2007).

Without appropriate and regular dissemination of the information to rural communities, the gains of globalization would never happen in Africa. If various countries in Africa would embark on rural telecommunications development, so that the basic global information infrastructure would be available in every rural community in Africa, then many viable information centers in rural areas would be established. Thus, it concerns every government in Africa to liberalize telecommunications so that private organizations could be involved in rural telecommunication strategy, thereby creating an information society that includes both rural and urban communities (WFP, 2009).

³ In order to benefit from globalization, many countries in Africa are signatories to General Agreement of Trade Tariffs (GATT) and World Trade Organization.

4.2.1 Market Evolution

In June 2010 there were over 110 million Internet users in Africa compared to Europe (over 475 million), North America (over 260 million) and Asia (over 825 million) (InternetWorldStats, 2010).

While Africa constitutes 14,2% of the World population, it constitutes only 3% of the world usage, with a growth rate of 638% between 2000 and 2007. It is therefore expected that Internet usage could be extended to the rural areas where farmers in Africa live. (WLIC Durban, 2007). Too many schools in developing countries continue to be deprived of access to the Internet, and three-quarters of people in the world are not yet online. Only a very small proportion of the information hosted by libraries and archives has been digitized, and even less is available online (ITU, 2010).

Important investments in telecommunications infrastructure are currently underway in the country. The Chinese telecommunications company, ZTE, is modernizing and expanding Angola Telecom's fixed line telephone network, as well as investing in military communications and establishing a telecommunications training facility⁴ (AngolaTelecom, 2008). The project represents a state investment of US\$102 million, and will make it possible to set up new copper and wireless access networks in the country as well as 3.276 kilometers of fiber optic cables and 6.000 telephone lines. It will also make it possible to install 1.392 VSAT line, 761 broadband Internet lines (ADSL) and 13.000 wireless fixed lines (CDMA). By the end of 2010 fiber optic cables were connecting 10 province capitals already (Angop, 2010) (Figure 8 and Figure 9).

In contrast to the diffusion of mobile technologies, many rural households are still deprived of basic access to the Internet and existing data suggests that, in many developing countries, people in rural areas use the Internet in public locations (ITU, 2010).

Within the Telecommunications sector, mobile phones had in 2010 a penetration rate of 57%, fixed phones a penetration rate of 2% and Internet a penetration rate of 4% (Buddecomm, 2010). Mobile phone usage has experienced this amazing growth because of the real need. A study from London Business School claimed that an increase in mobile phone penetration by 10% leads to an increase in GDP by 0,6% (Longbottom,

⁴ It will cover the provinces of Malanje, Zaire, Bie, Moxico, Cuando Cubango and Lunda Norte and Lunda Sul and is expected to be concluded in 2010.

2007). Their usage has had a huge impact on the population's life and contributes to the economic development, namely (Hodgson, 2007):

- Stimulating business at a micro-level and increasing the efficiency of trade, particularly in rural areas;
- Being part of government-led campaigns, such as disease prevention or for raising awareness of the benefits of paying taxes. They can also warn communities about natural disasters, as well as help job-hunters to find new opportunities and aid small businesses in gaining new customers;
- Playing an important role in financial services in Africa, particularly in remitting money to families either from overseas or from urban to rural areas;
- Opening up market opportunities for related products, such as handsets, accessories, or additional services such as mobile internet.

Mobile phones are now being used in Angola in very ingenious ways. For example, in the very isolated rural southern areas of Angola, the mobile phone is being used as an important weapon in the war against the spread of the HIV infection⁵ (Rebelo & Jorgensen, 2008), or during the general election in 2008⁶ providing information about the nearest polling station, saving many days of travel from isolated areas on many unimproved roads (Coyle & Meier, 2009).

4.2.2 Market Competition

The Angolan Telecommunications Market is divided into three Operational companies:

- Fixed service (Angola Telecom, Mercury, Nexus, Mundo Startel, Wezacom);
- Mobil Service (Movitel, Unitel);
- Data Service (Multitel, ISPs)

From the total number of mobile users about five million are clients of the operator Unitel, owned by Sonangol and Portugal Telecom, while 2.5 million users are clients of

⁵ It is common for a phone's young owner in these areas to receive a text message that reads, "Life is stronger than AIDS. Get an HIV test!"

⁶ Angolan phone users could text their voter registration number to a central number, which would send back a text informing them of the nearest polling station.

Unitel's competitor, Movitel, bought in 2008 by ZTE. Soon Movitel and Unitel are expected to experience the competition of a third operator, with a third mobile telephony license expected to be granted in 2010 (KPMG Auditores e Consultores, S.A., 2009). This will increase the level of competition in the sector.

Mobile phones in Angola are rapidly overtaking land phones as many mobile phones now provide Internet access. SMS, MMS and broadband are becoming standard features on mobile phones. Shopping from mobile phones, the best broadband and mobile phone service saves money and help increase productivity. It is calculated that there are as many mobile phones in Angola as adults. The number of mobile-phone users in Angola has increased from 30 to 80 million, coupled with the market liberalization in the 1990s (Angop Economics, 2010).

It is estimated that growth in demand for mobile telecommunications in Angola will lead to a fourfold market increase by 2015 and boast competition with the entry of a third operator in the market in 2010 (Cairns, 2010). It was also projected levels of growth in the next seven years in the Angolan Market, and improvements in infrastructures that will make the country one of the most developed in Africa. Sales in the Angolan market will rise from US\$ 1,26 billion last year to US\$5.7 billion in 2015 (Cairns, 2010).

4.2.3 Market Limitations

There is no doubt that there is a big digital divide between the rural and urban areas in Africa, but extending telecommunications to rural areas could become realistic, if efforts are made to develop the rural telecommunications infrastructure. Many organizations believe information could contribute to the development of Agriculture and the lives of many people. Professor Dr. Aina believes that farmers would benefit from global information, if information centers, cited in rural areas are complete with all information and communication gadgets, namely computers with Internet access, local area and wide area networks, radio and television sets, telephones and fax machines, multimedia projectors, video and audio recorders, etc. The road to success is through information centers in rural countries in Africa, where they are expected to provide relevant and timely information to rural communities on all aspects of their communities (WLIC Durban, 2007).

Whilst the actual pace of growth is likely to level off in more established markets, the sheer number of new mobile users will rise more quickly than in any other region of the world. Despite this, those operators and manufacturers who have carved out a strong, early foothold in the African market can certainly look forward to attractive growth prospects over the next decade (Hodgson, 2007).

5. Market Entry Strategies

5.1 The Importance of Partnering in Angola

“Strategy determines alliances – alliances do not determine Strategy (Sá, 2005)”

Jorge A. Vasconcellos e Sá, 2005

The only reason to pursue an alliance in Angola is that it is the best way to enter and access the market faster and gain visibility. It is a leadership opportunity a foreign company gets once it is the one with experience and know-how (United Nations, 2008). The partner choice must be built on a precise definition of its priority needs and what is more critical to meet them. Firms must therefore satisfy their basic requirements and adjust to the rest (Lewis, 1990).

Negotiators need to work closely together to successfully conclude the alliance, and seek synergies through complementary assets and skills. Alliances normally concede the separate identity of its partner or partners, and seek to maximize the benefit that can be obtained from putting together parts of two value chains, and achieve competitive advantage in the chosen markets (Porter & Fuller, 1986).

The negotiation of alliances seeks to achieve a relationship between partners that enables them to achieve business success together, without either partner needing to accept loss of identity or ultimate independence (Child & Faulkner, 1998).

5.2 Coopetition⁷ – Local and Technological Partners

Firms on the forefront of technological innovation may not be able to develop all the required technology in-house. This co-operative approach also arises from the systematic nature of many innovations, whereby an innovation must be embedded in a total system. Innovation must be consistent with, and integrated with, all other elements, which require open communication with a number of firms, some of which may be direct competitors. The firm may be a member of various networks that allow the complementary competences of the different firms to be utilized. It may also be the case

⁷ Coopetition is a neologism coined to describe cooperative competition, that occurs when companies work together providing complementary rather than competing products and services (Brandenburger & Nalebuff, 1997).

that the firm will engage in a number of competing developments at the same time (Fitzroy & Hulbert, 2005). That makes thus Angola Telecom as the ideal technological partner for this project. This partnership makes Angola Telecom more than a competitor, rather a “*complementor*” (Brandenburger & Nalebuff, 1997).

Angola Telecom brings benefits to this alliance, as public enterprises hold some practical advantages in access to markets and credit. For example, although foreign and domestic private entities have the right to establish, acquire, and dispose interests in business enterprises, subsidized government loan programs to promote economic development are available only to majority-owned Angolan companies and on a very selective basis (Embassy of the United States in Angola, 2010). Needless to say, a partnership with Angola Telecom may be the only way to proceed because of legal requirements or because of a scarcity of local private companies for multinational firms to partner with, as there isn't a proper competitive context in the telecommunications sector. The disadvantage of such a partnership is the fact that Angola Telecom, as a state-owned company may pursue other national goals that may not necessarily be compatible with ONI's profit motive. As a result, partnering with the government may require ONI to offer an ownership concession, especially when entry is restricted (Lane & Beamish, 1990).

Partnerships with the Government are more likely to happen in risky countries, in countries where it is not easy to start a new business, where local competition is not intense, and where there is a lot of government interference in both local businesses and cross-border ventures, such as in Angola. Foreign multinationals may be more willing to partner with the host government than with local companies, because the local companies lack the ability to offer contingency assurances provided by the host government (Lewis, 1990).

5.3 Smart Partnering with Local Organizations

Smart partnering is used in areas of impact between business and society and develops creative solutions to complement partners' capabilities in order to address major challenges that affect each partner (Keys, Malnight, & van der Graaf, 2009). The partnership between Business and Non-Governmental Organizations (NGOs) has an impact on the way each partner works (Cowe, 2004).

Companies can learn from NGOs' experiences, namely the way these organizations address local communities and how they both (company and organization) can co-create new products, services and business (Prahalad C. K., 2009). One of the critical factors within these partnerships is the increased receptivity and interest in the businesses because of the recognition that perceptions of their corporate citizenship, the advantages it brings to communities, and the positive impact of social responsibility in the firm's performance (Phills Jr., 2005). NGOs benefit from these partnerships, through which they can leverage a company's know-how and systems to scale innovations (Prahalad C. K., 2009). At the same time "nonmarket" forces can also constrain a firm's strategic options, a fact that has led to the emergence of interest in the political environment of a business. Sometimes, these effects occur as a result of a regulatory action by the public sector (Phills Jr, 2005).

But what is a true "partnership"? It should help companies achieve something that couldn't be achieved otherwise, and it should allow the NGO to challenge, or change, some business practice – that is, not simply by receiving funding. In other words, it is something quite difficult to set up, to manage and, according to dozens of NGOs and businesses who have tried, something that is difficult to get right (Cowe, 2004).

Winston Churchill once said: "The Problem with alliances is that allies have opinions", which means that partnering is risky for both NGO's and Corporations. For the foreign company there is the risk of spending time and money, and the risk of divulging sensitive information which could be further exploited. For NGO's, there's the risk of damaging the reputation of the Organization and wasting scarce resources if the desired outcomes are not achieved (Cowe, 2004).

However, as NGOs' expertise and contacts evolve, they start being seen by thoughtful companies, investors and government agencies as a source, direct or indirect, of market intelligence. If NGOs shape markets and markets shape companies, then companies that

understand where key NGOs are headed may get the jump on their competitors (Phills Jr, 2005).

Partnering can be challenging, as it requires “planning and hard work to assess potential mutual benefits, establish trust, and build and manage the activities, both internally and externally”. Alliances with nonprofits can also be a way for corporations to expand into new markets – markets that are considered too risky or unprofitable to serve in the absence of such an alliance (Cowe, 2004).

Targeting underserved populations in the inner city can bring prosperity to these communities and at the same time generate profits for the companies that move into these markets. Often, penetrating such underserved markets is undertaken as part of the alliances and partnership (Porter, Michael E., 1995).

6. Business Environment (PESTEL Analysis)

The remote environment (Tax changes, new laws, trade barriers, and demographic and government policy changes) has many different elements that have significant impact on how a company works, its competitors, and its customers (Fitzroy & Hulbert, 2005). A simple acronym that assisted in over-viewing these aspects is the PESTLE⁸ model, a tool that covers the political, economic, socio-cultural, technological, legal, and environmental aspects of the overall business environment.

6.1 Political and Legal Factors⁹

Angola is a Republic with eighteen provinces: Bengo, Benguela, Bie, Cabinda, Cuando Cubango, Cuanza Norte, Cuanza Sul, Cunene, Huambo, Huila, Luanda, Lunda Norte, Lunda Sul, Malanje, Moxico, Namibe, Uige, Zaire (African Economic Outlook, OECD, 2007).

After the war for the independence that ended in 1974, the country entered into civil war (Bösl, 27th November, 2008). Savimbi's¹⁰ death in 2002 ended UNITA's insurgency and strengthened the MPLA¹¹'s hold on power. Since then, the country is now closer towards democracy, favoring electoral solutions rather than violent ones (Verelst & Kenefick, October 2005).

The citizens lived a few decades in fear and political corruption. There is still an armed conflict going on in Cabinda though, and while from a military viewpoint it is not relevant it could become important because of Cabinda's importance for the oil sector. Nonetheless, Angola has been considered a peaceful place to live and ideal to invest. (Verelst & Kenefick, October 2005)¹².

⁸ ETPS (Economic, Technical, Political and Social) acronym was firstly used by Francis J.Aguilar to help understand and filter the main influential factors within the business environment. After that many other authors developed the acronym (from STEP to STEPE TO PEST, STEEPLE).

⁹ Political and legal factors help measure the degree of intervention of the government in its economy.

¹⁰ Leader of UNITA (União Nacional para a Independência Total de Angola)

¹¹ MPLA - Movimento Popular de Libertação de Angola (supported by communist countries, namely the USSR and Cuba, Angola fought against Portugal (for its independence), UNITA, and FNLA (*Frente Nacional de Libertação de Angola*) during the civil war. MPLA won the elections of 2008 with 82% votes while UNITA didn't go beyond the 10%.

¹² Comprehensive Food Security and Vulnerability Analysis - Angola

Political stability is one of the most important factors for any organization that wants to enter a new market because if there is no political stability the legal and trade policies will continue to change regularly creating constraints for any firm to sustain there for a long time (World Bank, 2009).

In what concerns the legal network, National Private Investment Agency (ANIP)¹³ helps facilitate new investments under the 2003 Basic Law for Private Investment (Law N^o. 17/03 of 25th July) (ANIP, 2010). This law lays out the general parameters, benefits, and obligations for foreign investors, and provides equal treatment, offers fiscal and custom incentives, simplifies the investment application process and sets capital requirements (Maritz Publishing CC, 2010). Regarding fiscal incentives, these are applied only within the sectors that help rebuild and develop the economy, namely Agriculture and Industry, Human Capital (health & education) and Infrastructures (Highways, Railways, Ports, Airports, Telecommunications, Energy, and Water) (ANIP, 2010).

Foreign investment can be done either individually or cumulatively, and the following will be considered for the approval: transfer of funds from abroad, use of foreign currency in bank accounts that belong to non-residents, import of equipment, accessories and materials, and incorporation of technology (ANIP, 2010). ANIP¹⁴ must then approve foreign investments between US\$ 100.000 and US\$ 5 million. The Council of Ministers will approve investments over US\$ 5 million, as well as any investment that requires a concession (such as oil or mining) or involves the participation of a parastatal. After obtaining contract approval from ANIP or from Council of Ministers, the investor must register the company, publish the company's statutes in the official gazette (*Diário da República*), obtain a business license, and register with the fiscal authorities (Maritz Publishing CC, 2010). All these procedures will be developed further in this study.

¹³ Angola's National Agency for Private Investment (ANIP) was created in 1992 by the Angolan Government designed to support the growth of a diversified, stable economy that allows Angola to participate more fully in the global economy. (Investment in Angola, 2009)

¹⁴ Angola National Private Investment Agency (*Agencia Nacional para o Investimento Privado*)

6.2 Economic Factors

According to the IMF (International Monetary Fund) Angola had a GDP growth of 13,2% in 2008 (with a 0,4% decrease in 2009), and shows projections of 7,1% for 2010 and 8,3% for 2011 (IMF, 2010)¹⁵.

Angola is classified as a Least Developed Country (LDC) by the United Nations for which criteria are GNI per capita, economic vulnerability, and human assets. At the 2006 evaluation exercise, Angola's GNI¹⁶ per capita actually exceeded the threshold and its score on economic vulnerability almost reached it (United Nations, 2008).

In 2008 the IMF approved a US\$ 1,4 billion loan to Angola on November 23rd to help sub-Saharan Africa's third largest economy combat the adverse effects of the global economic crisis (Lamin Leigh, 2009). The adjustment program is based on three key pillars, with a determined fiscal adjustment playing the leading role: Fiscal Transparency (quarterly budget execution reports published by the government¹⁷ in order to ensure greater transparency and better oversight of major state-owned enterprises (SOEs)); Sovereign Wealth Fund (SWF – creation of an institutional framework that de-links the fiscal stance from revenues and avoids future boom-bust cycles in the oil sector); and Tax system¹⁸ (creation of a tax reform strategy to move toward a consumption-based tax system; simplification of the tax system to improve efficiency and reduce evasion) (Lamin Leigh, 2009).

Angola has been experiencing an unprecedented economic boom. It joined Organization of Petroleum Exporting Countries (OPEC) in 2006, and in 2007 assigned a production of less than what Angola's government had projected (2-2,5 million bbl¹⁹) (Central Intelligence Agency, 2010).

In May 2008, OPEC confirmed Angola's oil production at 1,9 million barrels a day. The growth in this industry has had substantial spillover effects, spurring investment in the financial services, construction, and agriculture sectors (ANIP, 2010).

The capital-intensive oil sector dominates the Angolan economy, generating over 45% of the country's GDP and accounting for half of the exports. Angola is sub-Saharan

¹⁵ The International Monetary Fund (IMF) states that GDP growth in 2009 was flat due to significantly lower oil prices owing to the global financial crisis (IMF, 2009)

¹⁶ Gross National Income

¹⁷ It is currently in progress, and it is expected to take place in December 2010

¹⁸ to be conducted by UTERT, the National Tax Directorate (DNI) and National Customs Directorate (DNA)

¹⁹ Barrels Per Day

Africa's second biggest oil exporter. In contrast, the agricultural sector employs 85% of the working population but contributes only 8% to Angola's GDP compared to 18% in 1990. In 2009 Angola spent about 23,5% of its GDP to develop the nation (CIA, 2009). 9,2% of GDP earning came from agriculture, 25,5% from the service sector, and 65,1% come from the industry sector (World Bank, 2009) (Figure 10).

Despite the fast the economic growth being driven mostly by the rising oil production, Angola has been considered as one of the fastest developing markets.

In what concerns income per capita there was an increase from US\$ 8.200 in 2006 up to \$ 9.000 in 2008. Regarding this category, Angola was placed in 112th position in a global ranking (Central Intelligence Agency, 2010).

Commercial Bank prime lending interest rate²⁰ is quite decent with 15,68% and the Central bank discount rate²¹ of 30% in December 2009 (Central Intelligence Agency, 2010). It shows that an organization can get the loan easily at a low interest rate.

The Angolan government has divided their cities into three zones. If any company starts its business in the first zone (Zone A) it will get tax redemption for 15 years. If it invests in the second (Zone B) or third zone (Zone C) the government will give it a 12 year and an 8 year redemption in tax accordingly (AICEP, July 2010).

6.3 Social Factors

Angola is one of the smallest countries in Africa and it is placed in the 69th position with a total of 16,6 million people, growing at 2,13% year. The birth rate in Angola is of 43,69 births for each 1.000 people and the mortality rate is of 24,25 deaths for each 1.000 people. Angola is considered a nation of young people. The total median age is 27,6 years (27,1 years for men and 28,1 years for women). 43,5% of the population is constituted by children of less than 14 years old. The majority of the population (53,7%) is part of the population range 15 - 64 years old. The remaining 2,7% represents people of 65 years old or more (Central Intelligence Agency, 2010).

Today there are still many gender disparities in Angola. Despite of the progress made since the country's independence, men are still regarded as the sole decision-makers and

²⁰ Commercial bank prime lending rate – simple average of annualized interest rates commercial banks charge on new loans, denominated in the national currency, to their most credit-worthy customers

²¹ Central bank discount rate - the annualized interest rate a country's central bank charges commercial depository banks for loans to meet temporary shortages of funds.

women as their subordinates. Only a third of women are literate, compared to 69% of men that can read and write. Women started to become more independent during the civil war²² (IFAD, 2008).

If a country has good literacy rate it means it will have a bright future. The same thing is applied to Angola, where 67,4% of the population is literate. 82,9% of male population can read and write, while only 54,28% of female population is literate. Only 2,4% of the GDP is spent on education in 2005 (Central Intelligence Agency, 2010).

Angola is placed in the 143rd position in the 2009 Human Development Index, in a list of 182 countries, where 70 percent of its population lives on less than US\$2 a day. Many communities have little or no access to basic social services, and more than a third of the children is not enrolled in school (WFP, 2009).

Both migration and high mortality rate during the war years left many more women than men in Angola. Women now provide most of the agricultural labor force. About a third of households are headed by women, where in some rural areas the number tends to be higher. Households headed by women are among the poorest and most vulnerable. In addition to housework, caring for their families and fetching water and wood, women are also engaged in farming activities and processing crops such as cassava and maize. Without male labor to clear and plough land, households headed by women face severe obstacles to food production. Children are also a particularly vulnerable group in Angola. About 60 per cent of the population is now under 18 years of age, and there are large numbers of orphans and displaced and refugee children, many with disabilities, who are at risk of abuse or exploitation (IFAD).

6.4 Technological Factors

The Technological sector and the Angolan infrastructures still have a long way to go. The road network is still very weak, where only about a tenth of Angola's roads were paved in 2004. Of the 7.953 kilometers of paved road, 88 % were in "bad" or "very bad" condition. The Angolan Government has allocated US\$ 4 billion for the Angolan Road Institute and the Ministry of Transports and Communications to restore and expand both

²² During the war women were forced to engage in trading as an alternative source of income.

the road and bridge networks. In addition, infrastructure rehabilitation is still one of the high priority issues to be further addressed by the Government (United Nations, 2008). The institutional framework for telecommunications was initiated with the establishment of the Ministry of Post Office and Telecommunications in 1997. Two years later, the Government liberalized the sector ending the monopoly of the state-owned Angola Telecom, and set up the Angolan National Institute of Communications (INACOM) as a regulatory body for the rapidly growing sector (INACOM, 2007) . Government policy in terms of telecoms regulation and market liberalization has still much room for improvement in many areas, whilst the ongoing impact of widespread unemployment, disease and high poverty rates limits the potential market size and revenue per user (Hodgson, 2007).

Despite the initial success in the sector, many weaknesses remain. Infrastructure is still fragile, and the fixed line system is subject to frequent line interferences and interruptions (United Nations, 2008). According to the International Telecommunication Union (ITU), in June 2010 Angola had 607.400 Internet users, about 4.6% of the population (Annex 5.1.) Internet service provision is still relatively expensive, where in 2005 the monthly “price basket” in Angola was of US\$34,28, compared to the average price of US\$ 78,81 in 2003 (NationMaster, 2006).

A capping regime was introduced in 2004, overseen by a cross-sector committee (*Comité de Preços de Telecomunicações*) made up of representatives from the Ministries of Post & Telecommunications, Finance, and Planning, and the industry regulator, INACOM. Also, major investments in fiber optic cables were negotiated in 2007 (United Nations, 2008).

6.5 Environmental Factors

The long-standing environmental problems in Angola were aggravated by the 27-year war. Nonetheless, Angola is generally food secure, with only a regional pocket in the north west of the country and thin strip along the southern border with Namibia, that suffer from moderate food insecurity (FAO, 15-17 December 2008).

The main environmental problems are: land abuse, desertification, loss of forests, and impure water. The productivity of the land has been continually threatened by drought and soil erosion, which contributes to water pollution and silt deposits in rivers and

dams. Only 46% of the urban population and 22% of rural dwellers have access to safe drinking water (WFP, 2009).

In Angola, the protection of the environment and natural resources is constitutionally recognized as a duty of the State, which has the responsibility to formulate environmental strategies, policies and laws as well as engage in the international and national programs that seek to protect the environment and promote sustainable use of natural resources (Angolan Government, 2006).

In the last decade Angola has developed environmental legislation regarding water resources, petroleum, mines, and land, and increased engagement with regional and international bodies and partners (e.g. the Environmental Protection and Sustainable Management of the Okavango River Basin (EPMSO), the Benguela Current Large Marine Ecosystem (BCLME), and the Sustainable Land Management). With continuous engagement and close partnership with the Angolan State, international donors and with civil society, UNDP Angola will continue to strive to meet the Millennium Development Goals²³ (MDG) on environment as well as the UNDP 2008-2011 strategic plan (United Nations Development Programme, 2010).

²³ The Millennium Development Goals (MDGs) are the world's time-bound and quantified targets for addressing extreme poverty in its many dimensions: income poverty, hunger, disease, lack of adequate shelter, and exclusion while promoting gender equality, education, and environmental sustainability.

7. Doing Business in Angola – ONI Case Study

For this study a business strategy was applied to ONI Communications, a Portuguese company that operates in the Telecommunications sector, and plans to enter the Angolan Market soon. By partnering for this project with both a local company (potential competitor) and a local organization, the synergies created will ultimately project positive outcomes into the Agriculture sector (through vertical solutions).

7.1 The Business Case Players

For a company like ONI Communications to benefit from the opportunities from a market like Angola, one of the best approaches is to partner with a local/state-owned company (which brings extra benefits from being a state-owned company), i.e. Angola Telecom. This business case considered both the importance of partnering with a local company that has the market knowledge and the expertise from the Telecommunications sector, and the importance of partnering with an organization that is focused on what this study looks for, which is delivering value to the Angolan farmer. Around 85% of employed people in Angola lives in subsistence agriculture, and it is virtually impossible for this project to reach all that population, as the majority lives in areas that lack proper technological infrastructure and accesses. Therefore, the best way found to overcome this constraint was a partnership with UNACA (Agro-farming Cooperatives), a cooperative that has 7.788 farmer associations and 162.290 members in all 18 provinces (UNACA, 2006).

Angola Telecom and UNACA represent the Technological and Strategic Partner respectively.

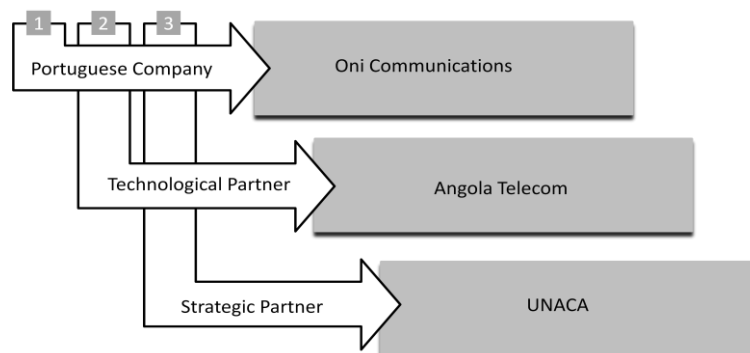


Exhibit 1: Business Partners

For the Portuguese market, ONI has designed a Business Partner Program, where the ideal Business Partner has strong regional expertise, specific knowledge of a given industry, and specific technical knowledge to complement ONI's solutions (ONI Communications, 2008). For the partnership in Angola, in order to find the suitable partner, that same profile was considered: Angola Telecom has both the regional expertise and the technical knowledge, as it operates in the telecommunications market in Angola, and UNACA has the specific knowledge of the Agriculture Sector (Vertical Solution¹). As the objective of this work is to help the farmers access more accurate information, Angola Telecom and UNACA constituted therefore the ideal partners. More information about each player is next presented, together with the development of reasons that explain why they constitute the ideal partners for the implementation of this concept in the Angolan Market.

7.1.1 ONI Communications

ONI is a Portuguese company that operates in the Telecommunications Industry, and has become a prominent leader among the new operators in Portugal, especially in the medium-sized and large organization segment. Oni Communications has marked a strong presence in both private and public sectors, focusing on bringing “to reality all of the potential of global solutions, by combining communication with technology as a means of leveraging the future” (ONI Communications, 2009). It makes ONI the perfect company for this project as it claims to be “the evolutionary engine of companies and what binds them together”. The fact that ONI plans on entering the Angolan Market, its experience in vertical solutions and with working with business Partners, also justify the choice.

The company's strategy is defined combining two concepts: the “integrator-operator” and the “exporter-operator”. The “integrating-operator” is focused on integrated solutions involving voice, data, video and Internet, with an increasing component of information systems and applications (personalized and adapted solutions). The “exporter-operator” concept concerns the creation of partnerships with the largest

¹ ONI has experience in series of vertical solutions aimed at truly responding to the needs of some activity sectors and which, in this way, contribute to the creation of services of value in markets with very specific characteristics ((ONI Communications, 2008)

international telecommunication operators that work as a channel to conquer the Portuguese component of the European or global networks. This study focused on merging both concepts as it intends to deliver value by providing personalized internet services (integrating-operator) and by partnering with a local company and local organization (exporter-operator) (ONI Communications, 2008).

ONI has today a leadership position in Portugal. Therefore by entering the Angolan market it will enhance its strengths and help develop its weaknesses. Below follows ONI's current strengths and weaknesses and how they would look like in the near future (after successful business implementation strategy in Angola). But ONI can benefit a lot from this Business, as companies can easily overcome some of today's weaknesses by getting experience and expertise in working in a foreign market.

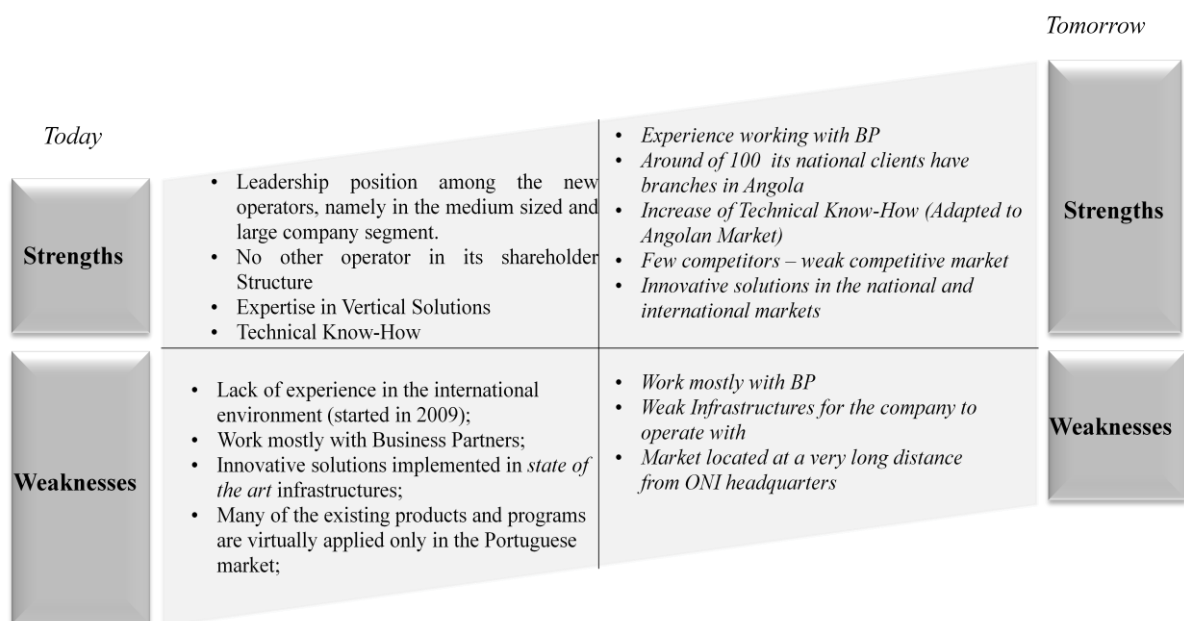


Exhibit 2: ONI's internal context

From the weaknesses point of view, the entry into a new and foreign market will give ONI the knowledge to respond to many of the barriers and difficulties a company faces when entering a market for the first time.

ONI has the experience in working with Business Partners which is a company's strength, as companies that plan to invest in Angola are advised to partner with local companies.

Angola is a developing market and its infrastructures are weak. These are barriers ONI has to face as it has experience in working with efficient structures, and there are many irregularities present in Angola. The weaknesses described don't necessarily depend on

ONI itself, but on the environmental conditions and on the support from the Government.

There are many more advantages for partnering with a local company in Angola. ONI would get a more effective research because it gains immediate access to the widest possible spectrum of ideas, contracts, and experience that local companies have. The fact ONI won't be working alone in a foreign market increases the chances of doing a successful business and help ONI get greater influence among the consumers.

A collaborative advantage, as it opens many new avenues, gives organizations the opportunity to join forces with others who plug the gaps in their own portfolio, and provide them with an in-depth learning. This collaboration also helps develop a better, faster and cheaper product/service. Angola Telecom, ONI and UNACA are thus *complementary*. Despite all the advantages of working in partnership, forming a cooperative investment is the ideal entry mode within this market. ONI gets an immediate entry ticket to many of the market accesses. Finally, this partnership helps save costs, namely with hardware and network applications, that can be provided by Angola Telecom, and marketing research, as UNACA has the market knowledge (Lank, 2006).

7.1.2 Angola Telecom as the Technological Partner

Angola Telecom is a public owned company that results from the merging between the former state owned companies ENATEL and EPTTEL. Until 1980 (the effective constitution of Angola Telecom) telecommunications in Angola were provided by two public operators, mutually complementary, being EPTTEL focused on international communications and EPTTEL and ENATEL on domestic communications.

Angola Telecom has today four Business Units: Movitel, ELTAngola, Multitel and TV Cabo, with the following business focus:

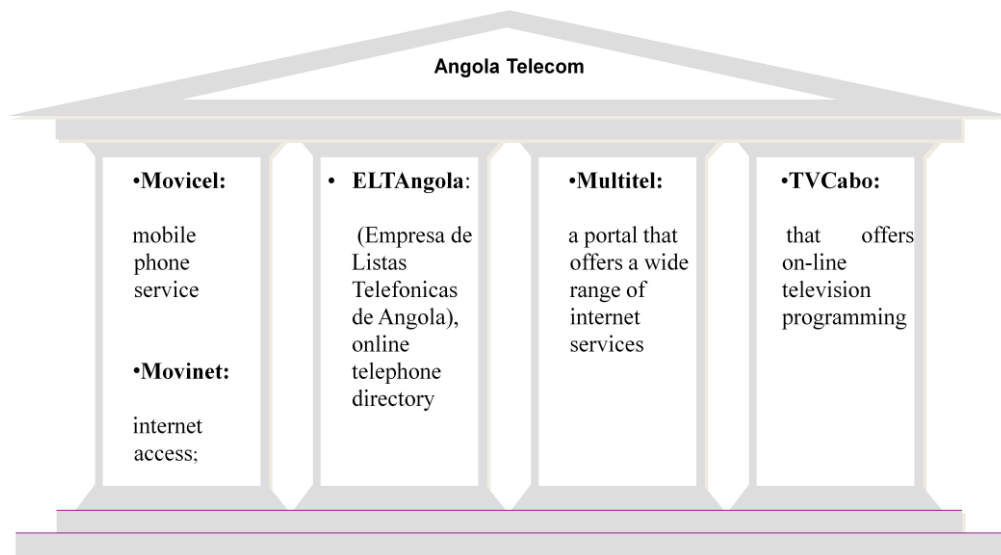


Exhibit 3: Angola Telecom subsidies

Angola Telecom offers a range of Internet products and services, and owns the so called *Postos Públicos*, which are telephone terminal locations where people can access other telecommunication services with the option of paying with prompt payment. In a further phase of the implementation of this project, there is a strong motivation for the connection between the *Postos Públicos* and UNACA online platform². The *Postos Públicos* offer more services to its population and farmers from other provinces would be connected, and be able to change views, and sell and buy agricultural instruments and products amongst themselves.

Some of the factors that help explain why Angola Telecom would engage in the partnership are (ed. Africa Ariño, 2006):

- a) **Task-related factors:** Both ONI and Angola Telecom operate in the Telecommunications sector, share common cultural patterns, and speak the same language (Portuguese). ONI has the know-how and expertise of operating in a developed country and experience in operating in vertical solutions. Angola Telecom on the other side has the market knowledge and knows how the telecommunications sector in Angola work.

² Throughout this study, it is mentioned the idea of the creation of an online platform where the farmers access information related to Agriculture, weather forecast and microcredit. Instead of an e-platform, another way to decrease the amount of costs, would be to create a blog. The idea of an e-platform in this study can be easily be replaced by the creation of a blog in the initial stage of the project.

- b) Some of the **benefits of the Partnership for Angola Telecom**, as a state-owned company:
- i. The contribution of this project for the development of the agriculture sector (thus modernization of the economy – of high priority to the state), providing the farmers with information, that will help them enhance their techniques, and follow the market prices, access weather forecasts and micro-credit;
 - ii. Development of the infrastructures, as it helps strengthen competition within the Angolan market;
 - iii. The access to new and more information may help trigger the literacy rate;
 - iv. Increase of number of skilled human resources coupled with the increasing availability of capable human resources from the foreign market;
- c) **Partner-related factors:** while it is necessary for each partner to bring complementary strengths to the partnership, it is also important for a partner not to acquire other partner's strength, because this can undermine any mutual trust companies share. Trust is absolutely essential in a partnership and cultivating good faith and strong confidence in a partner as early as possible is critical.
- d) **Country-related factors:** Overseas market realities are subject to a vastly different regulatory environment. Angola Telecom, as a politically well-connected local partner is of tremendous help, as it knows the right channel to overcome government bureaucracy. This direct access to the government provides ONI Communications the ability to negotiate concessions directly with the party having the authority to set forth the regulation. On the other hand, a direct business relationship may expose ONI Communications to unethical conduct (such as bribes and other corrupt practices) prohibited by the law of the company's home country (Law N° 20/2008, of 21st April).
- e) **Industry-related factors:** the success of a venture is likely to depend on industry conditions. This alliance is also used for the sourcing and sharing of technological capabilities, as the industry characteristics in Portugal differ from those in Angola. It is important to be aware of the adaptation to industry conditions, because while payoffs from such an entry are likely to be high, there

may be daunting challenges that make failure a realistic possibility. Angola Telecom is the suitable local partner that is aware of these challenges.

7.1.3 UNACA as the Strategic Partner

A Nongovernmental Organization (NGO) is a strong ally to a company that is planning to enter and operate in a developing country. NGOs know the “customers” better than anyone, because they serve them every day, and their goal is to satisfy its “customer” needs and make an impact by helping them increase their social needs, and enhance their life conditions (Child & Faulkner, 1998).

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (Brandenburger & Nalebuff, 1997).

UNACA is an Angolan cooperative, and although it is not categorized as a NGO, it has the same mission a NGO has, which is to have a big social impact within the communities, mostly by supporting a certain social group, namely the farmers.

The emergence of UNACA as the National Union of Angolan peasants on the 6th of February 1990 was the result of a long work that began in 1975 (Committee for the Support and Promotion of Cooperatives (CADC)), failing its action because of what was lived during the civil war, the collapse of the structures of the colonial state, weak commercial network and the absence of others to replace them (UNACA, 2006).

It was only after the independence that an objective guideline for the transformation in the Agriculture was created. The cooperatives were considered as one of the main forms of organization of the agricultural production. However, proactive actions from to associations and cooperatives were still disorganized and spontaneous due to the absence of a governing body, integrator of those actions (Verelst & Kenefick, October 2005).

The political-economic transformations and social activities aimed at implementing the multiparty system in Angola, having brought numerous constraints to the Board of UNACA, which did not allow its immediate adaptation to the new reality. Achieving

the Extraordinary Congress, UNACA set out in February 1992 important tasks in the life of the organization, given the important role it plays for the development of rural areas (UNACA, 2006).

Currently, UNACA has 4.788 farmers' associations, with 508.971 members of whom 266.883 are women and 966 cooperatives with 162.290 members, of which 90.730 are women. It is represented in 18 provinces and in most municipalities in the country, guaranteeing the farmers their active participation in actions aimed at improving their own living conditions and social welfare (UNACA, 2006).

According to UNACA 22.224 peasants used micro-credit for agricultural purposes in 2007 (UNACA, 2006).

7.2 Business Scenario

A collaborative landscape explain the bases of what should become permanent knowledge for this partnership, considering the organizations involved in the partnership, timelines, objectives, and benefits (Lank, 2006):

| | |
|--|---|
| <p>Purpose of the Partnership</p> | <ul style="list-style-type: none"> • Help implement a concept, with access to expertise and know-how (ONI), market knowledge (Angola Telecom in the Telecommunications Sector and UNACA in the Agriculture sector) |
| <p>Start Date</p> | <ul style="list-style-type: none"> • January 2012 |
| <p>Organizations Involved</p> | <ul style="list-style-type: none"> • ONI Communications – Portuguese company • Angola Telecom – Angolan State-owned company • UNACA - Agro-farming Cooperatives |
| <p>Key benefits</p> | <ul style="list-style-type: none"> • State Incentives, faster access to the market, access to know-how and new techniques |

Exhibit 4: *Collaborative Landscape*

7.2.1 The Negotiation Process

ONI first focuses on establishing informal cooperation with its partners. The conversations with UNACA only take place after an agreement is settled with Angola Telecom. Informal cooperation allows firms gain flexibility before committing, giving them more room to explore their relationship and resolve issues that could be troublesome later on (Lewis, 1990). When companies are ready to make major commitments, they can formalize the understanding with a contract. Once performance has begun, a change is possible only if it is mutually acceptable. Further, drafting highly structured agreements is self-defeating, as it leaves no room to negotiate adjustments in light of actual conditions. Too much planning also implies a lack of trust, which can hurt relationships. To proceed with the activities, certain risks have to be left open. The basis of contractual alliances is about common objectives, mutual need, and risk sharing when committing (Lank, 2006). ONI makes its first contact with Angola Telecom, a state-owned company in Angola, and because both operate in the Telecommunications sector, they can share business successes and reach the market needs in a faster way. Afterwards ONI and Angola Telecom negotiate with a third partner, UNACA, a local organization that provides information about the market needs in the Agriculture sector. In negotiating a strategic alliance, or collaborative agreement of any sort, two frequently conflicting aims must be simultaneously held in the mind of each body of negotiators (Child & Faulkner, 1998):

- **Configure the collaboration** in order to achieve the greatest possible level of competitive advantage for the joint enterprise as follows:

| | |
|---|--|
| An analysis of strategic fit between the companies | <ul style="list-style-type: none"> • Angola Telecom and ONI work in the Telecommunications sector • Angola Telecom and UNACA are both Angolan companies; |
| An analysis of the cultural fit between the companies | <ul style="list-style-type: none"> • ONI and the Angolan Partners will benefit from the long relationship between Portugal and Angola, and from cultural similarities (e.g. language); |
| Identification of goal congruence | <ul style="list-style-type: none"> • Angola Telecom will benefit from new knowledge, • ONI will access a new market, and • UNACA will help the farmer access to a new way of getting information |
| Identification of a primary joint project and of its scope | <ul style="list-style-type: none"> • UNACA's facilities (where the farmer will go to access information), Angola Telecom will provide the Hardware and Software, and ONI will provide the knowledge of working in vertical solutions. |
| Identification of the level and nature of the contribution expected from each partner | <ul style="list-style-type: none"> • Angola Telecom - expertise in the telecommunications' sector in Angola • UNACA - market knowledge regarding customer target • ONI - Know how and expertise from a developed market |
| Agreement on the structure of the alliance and its decision-making machinery | <ul style="list-style-type: none"> • ONI will provide a personalized (vertical) solution, Angola Telecom will provide technical support, and UNACA will provide the remaining assistance to the farmers |

Exhibit 5: Collaborative Strategy

- **Question the best deal for all the partners** – it inevitably involves striking a bargain of some sort. All alliances involve compromises, even if to limit a partner's autonomy in certain areas. For a bargain to be possible there needs to be an overlap between the strength of the perceived needs of both partners.

Negotiation is the prelude of working together on a project, it is vital that both parties make it as a workable deal, but a positively good one for them. Mutual needs, shared risks, and common objective encourage commitment among partners. Opportunism is further reduced when partner's combined strengths have clear strategic value, when they are compatible, and when their commitments are strong enough to overcome any differences (Lewis, 1990). Companies must, according to Lewis (1990):

1. ***Think in Terms of Combinations of Firms***: the synergies³ companies benefit from the partnership and the advantage of implementing this concept before others (i.e. competitors).
2. ***Move early to win the Best Deals***: it is the first time a project like this is implemented in Angola giving ONI the possibility of choosing a partner early and doing it well.
3. ***Respond to Falling Market Entry barriers***: the advantage of having Angola Telecom as a partner, as it is a state-owned company will help ONI Communications overcome many of the entry barriers. It simplifies the access to the market, help increase competition, and reduce entry barriers.
4. ***Work with competitors***: Angola Telecom is not ONI's competitor or a threat, but rather a *complementor*⁴, as both Angola Telecom and ONI work in the Telecommunication sector. Some of the advantages of an alliance are the set of interests they share, namely same products, purchases, marketing interests⁵ as well as the same opponents (this way they face competitors together and strongly).

Angola Telecom also takes advantage of the expertise ONI has or the experience in developed markets. Hence, the decision to partner will lower both firms' risks, avoid the costs, and delay litigation.

5. ***Focus and Help win Partners***: This project is focused on "*providing the necessary means of communication to the Angolan farmers, helping them access information, and stay connected, leading an increase of production levels, progress, and development of the society*". This Statement results from the merging of three Visions:

- a. Angola Telecom: *To turn Angola Telecom into a successful company, by providing the Angolan society with telecommunications services of international standard for the social and economic development and the welfare of the Angolan people;*

³ The partnership will also strengthen products or services the companies through the combination of resources of both Oni and its partners in order to better serve customers' needs. This way, Oni will be put well ahead of competitors, mostly from those who still think they can do alone (Lewis, 1990). They will mostly benefit by the share of knowledge from all the companies, either between both Angola Telecom and ONI that operate in the Telecommunications sector and both Angola Telecom and UNACA that operate in the Angolan Market.

⁴ Concept used in the book "Co-opetition" by Branderburger Nalebuff. Development of this concept.

⁵ These similarities create more opportunities for cooperation than if the companies worked in different sectors.

- b. ONI: In life, as in business, **communication is the central axis connecting us**. We unconditionally believe in our capacity to stimulate the **progress and development of society**. The possibilities of interaction with the world are unlimited, wherever we are, whenever we want, in whatever way we choose. It is so simple: communication places the world within our reach. What is our objective? To provide you with *“The world inside the communications device”*
- c. UNACA: *“To increase the levels of food production”*

7.2.2 Business Framework

All procedures that are officially required to start up and formally operate the Business in Angola are presented next. These include obtaining all necessary licenses and permits, and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data. It is assumed that any required information is readily available and that all agencies involved in the start-up process function without corruption.

7.2.3 Business Development and Fiscal Benefits

Luanda is the city targeted for this study because it is the most developed city in Angola and with better infrastructures when compared to other Angolan provinces, increasing the chances of success(not forgetting this concept would be implemented in the Angolan Market for the first time).

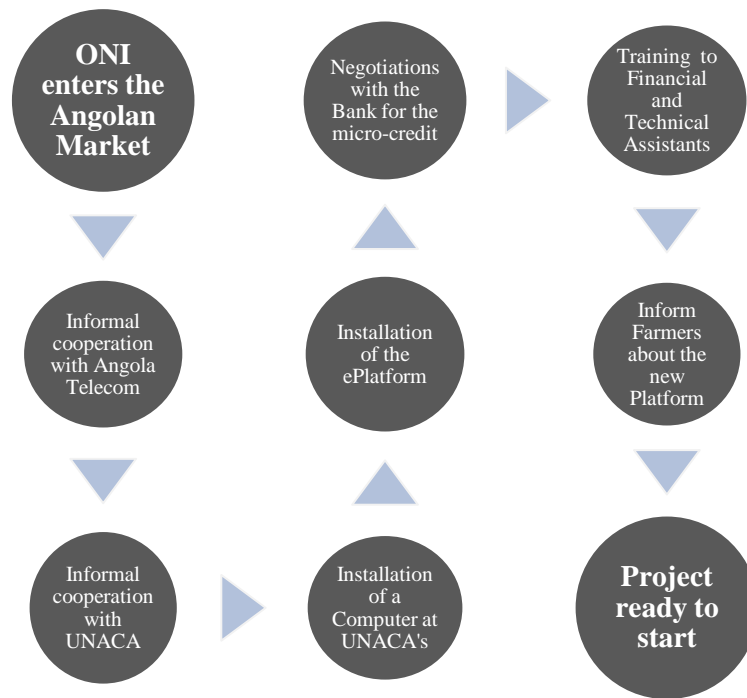


Exhibit 6: *Business launch in Luanda*

Exhibit 6 presents the Business launch path from the day ONI enters Angola until the day the Project starts running at UNACA’s facilities.

ONI, Angola Telecom and UNACA after agreeing to work together, will apply for an investment Certificate by submitting a Business proposal at ANIP. The approved investors conduct the business by forming the partnership.

Investment operations should then meet the financial requirements⁶ to be eligible for investments incentives. When the project is approved, ANIP issues a Certificate of Registration for Private Investment (*Certificado de Registo de Investimento Privado - CRIP*) authorizing the commencement of operations. Upon receipt of the CRIP, the principals must register the company (at *Guichet Único*), publish company by-laws in the official gazette (*Diário da República*), obtain a business license and register with fiscal authorities (*conservatoria*) (ANIP, 2010).

ONI Communications, Angola Telecom, and UNACA when applying for incorporation must open a bank account and deposit the requisite funds for capitalization. Proof of the deposit will be submitted to the Notary Public for execution of a Notary Deed of Incorporation (Paredes, 2008). Afterwards the companies settled a corporation (or

⁶ Minimum investment by foreign citizen should be US\$ 100.000,00

limited company)⁷, where the minimum capital requirement is the Angolan currency (Kwanza) equivalent to US\$ 20.000, 30% of which must be fully paid up on the effective date of incorporation (ANIP, 2010) (Figure 11).

In overall the companies have to go through eight steps⁸ (registrations and licenses included – Figure 12), and pay about US\$ 19.181,70 (Figure 13) which takes in overall 200 days⁹.

| Indicator | Angola | Sub-Saharan Africa | OECD Average |
|---------------------------------------|--------|--------------------|--------------|
| Procedures (number) | 8 | 9.4 | 5.7 |
| Time (days) | 68 | 45.6 | 13.0 |
| Cost (% of income per capita) | 151.1 | 99.7 | 4.7 |
| Min. capital (% of income per capita) | 29.0 | 144.7 | 15.5 |

Exhibit 7: Doing Business in Angola – World Bank

Doing business in Angola allow ONI and its partners to benefit from Tax and customs incentives because the sectors they are investing in are two of the high priority sectors in Angola¹⁰, Telecommunications and Agriculture. The Business takes place in Luanda, one of the three Special Economic Zones, Zone A, hence the companies to be exempt from all duties and fees for three years, and its profits will also be exempt from industrial taxes (ANIP, 2010).

7.2.4 Human Resources

After the company's registration, the new company will need human capital. This project doesn't require a big operations team, hence one person be enough. After the first year two persons would be the ideal, providing a better and more personalized service: one with some basic financial skills (in order to provide the farmers some

⁷ An SA has a minimum of five shareholders and appoints a General Assembly, Board of Directors and an Audit Committee.

⁸ A procedure is defined as any interaction of the company founder with external parties (for example, government agencies, lawyers, auditors or notaries). Interactions between company founders or company officers and employees are not counted as procedures.

⁹ Time is recorded in calendar days.

¹⁰ The sectors the company are investing in are part of the high priority sectors (Agricultural production, telecommunication, processing industry, water infrastructure, road & railroad, ports & airports, civil construction).

finance guiding with the micro-credit, the purchase of new products, access to market prices and financial services of any other sort) and another person with the right technical skills (to provide support if any technical issues arises and guidance throughout any research). Those persons could be either two farmers, who already work at UNACA. This would spare the companies time and trouble of hiring new people, once the difficulty of hiring index in Angola is quite high (about 67% , when the average for the Sub-Saharan Africa is 37% and 26,5% for the OECD countries) (Paredes, 2008)

As UNACA is aware of what farmer’s needs are, it immediately knows the best way to serve them, and fulfill those needs. Therefore, UNACA’s collaborators would know it better how to welcome the farmers into its place and help satisfy their needs, thus contributing to the increase of customers.

7.2.5 Financial Analysis

The registration of the company, pay/hire people, the creation of an e-platform/blog, and transportation incur many costs in the beginning. Therefore, it is of high importance to know that accessing Credit in Angola isn’t very easy.

As Angola Telecom and ONI communications are delivering a high amount of value in providing the technology expertise, and human capital, each of them would own 45% of the company. UNACA as a supporter of this project, that provides the physical space, market information and is responsible for spreading the word of this new idea among its members, owns 10% of the business.

| <i>Owners' Investment (name and percent ownership)</i> | |
|---|-------------------|
| ONI (45%) | \$ 300.000 |
| Angola Telecom (45%) | 300.000 |
| UNACA 10%) | 60.000 |
| Total Investment | \$ 500.000 |

Exhibit 8: *Source: score.org*

The US\$ 300.000 investment¹¹ from ONI and Angola Telecom represent the costs they have with their personnel in creating an e-platform (or blog) for this project and any

¹¹ This includes all costs required (US\$ 19,181.70) to set up the company until they set up the company

traveling and accommodation costs from ONI personnel (it does not include the costs for the first negotiations till the partnership is established – at this point of the analysis, the partnership is already created). This investment also includes any sort of construction at UNACAs (also financially supported by UNACA), the purchase of furniture and two computers.

It was calculated that for the first year companies would spend around US\$ 286.000, where US\$ 150.000 would be spent in salaries, US\$10.000 in rebuilding the space where the project would be settled, US\$100.000 for the trips (including relocation of Portuguese employees and travel), US\$ 16.000 for the computer and furniture and US\$10.000 for Marketing purposes¹².

| <i>Startup Expenses</i> | |
|---|-------------------|
| Buildings/real estate | \$ 10,000 |
| Capital equipment (computer & furniture) | 16,000 |
| Location/administration expenses (salaries) | 150,000 |
| Advertising/promotional expenses | 10,000 |
| Other expenses (travels) | 100,000 |
| Total Startup Expenses | \$ 286,000 |

Exhibit 9: source: score.org

Considering that a UNACA member would be interested in accessing more information to help him improve its farming techniques, each farmer would be required to pay a yearly fee of US\$30 and access to the Internet through a pre-paid card¹³. The farmer would use a pre-paid card two times in the first year with the option of accessing internet for two hours (expiring after 48 hours after the first minute online), paying a total amount of US\$ 20. Each farmer who used this service would pay thus US\$ 50 for one year (Figure 14)

UNACA has 12.500 members in Luanda Province. Considering that 10.000 members would use it during the first year, adding the initial investment of US\$ 286.000, this project would get a Return on Investment (ROI) of 75% as per below.

¹² All these amounts are based on current (2010) Angolan market prices.

¹³ To get a realistic value of each pre-paid card the amounts were inspired on what Angola Telecom offered in 2010 for its new product Wi-Fi Supernet. This is just a simulation of what would happen in the first year.

| | |
|----------------------|----------------|
| Internet (US\$) | 50 USD |
| Number of users | 10,000.00 |
| Initial Investment | 286,000.00 USD |
| Return on Investment | 500,000.00 USD |
| ROI (%) | 75 |

Exhibit 10: *Return on Investment (Figure 15)*

7.2.6 Marketing Strategies

In the meantime, an e-platform is created by both ONI and Angola Telecom. It will meet the needs of the farmers, helping them gather information about weather forecast, micro-credit access, purchase of farmer products, information about techniques and connectivity with other farmers. This e-platform personalized according to farmers needs, in order to provide them with the most accurate information-

To better understand how this e-platform can meet farmer's needs we applied the Marketing Mix tool (Borden, N. H., 1965):

- **Price:** Clients (or famers) are provided with a post-paid card, which they will buy beforehand and use whenever he needs to access information through this e-platform. A monthly post-paid service from Angola Telecom costs around US\$ 50. However as Angola Telecom gets extra benefits from this business¹⁴, the price will be lower than US\$ 50 (the company will also offer other type of cards, other than monthly, providing more options for the customer).
- **People:** the target market are the farmers associates and members of UNACA (of Luanda), as they are financially capable of paying a post-card internet service.
- **Place:** Our Business will first take place at UNACA's facilities. Later, as soon as companies realize the impact of this business on society, the e-platform created in Luanda will get the chance to grow and be connected to UNACA's other

¹⁴ Such as in the field of Social Corporate Social Responsibility or the fact that the company can enhance and strengthen its image (enhancing its position towards Sonangol, a strong competitor).

representations, in other Angolan provinces, as well as to the “*Postos Público*”¹⁵. And finally the creation of “*Data Centers*”, in a phase when the project is ready to run autonomously;

- **Product:** E-platform that provides information about daily market prices, micro-credit, farming techniques, seeds, fertilizers, other products;
- **Promotion:** The techniques used to inform the population about this new instrument (e-platform) will be through information provided at UNACA (where all the members will get to know the e-platform) and through Rural Marketing techniques, as consumer education and generation of interest are mandatory. For such, we go to local celebrations and rural fairs and provide demonstrations about¹⁶.

¹⁵ Is it a place provided by Angola Telecom, where everyone can go and Access to telephone services, data, internet

¹⁶ Live demonstrations and rural fairs have proven effective (Accenture, 2010).

8. Conclusions

A summary of the key findings and conclusions are presented in this chapter. At the end, the study limitations are determined and suggestions for further research are illustrated.

8.1 Summary of Key Findings and Conclusions

The objective of this study is to increase understanding of doing Business in a BoP Market like Angola.

Angola, as an emerging market, is showing signs of its earliest stages of economic development. It is one of the fastest growing economies and the revenue growth for entering can be extremely rapid. Luanda, Angola's capital, for example is the world's most expensive city with 4,5 million people (Prahalad & Hammond, 2002).

Angola has become an increasingly important partner for the economic relations with Portugal, following thus the trend already recorded in the areas of trade of goods and services, strengthening the position of Angola up to the 3rd position as a market destination for Portuguese direct investment abroad. Portugal ranked first place in 2008 as Angola's main supplier, with 18,4% market share (AICEP, July 2010). The historical, linguistic and cultural bonds both countries share and their long relationship make Angola an attractive market for the Portuguese investors. Besides the benefits this relationship brings, Portuguese companies can also benefit from investing in Angola, if they operate within one of the priority sectors and as well as in one of the three economic zones (ANIP, 2010). Two of the sectors companies have to pay special attention to are Telecommunications and Agriculture. First the Telecommunications sector because the Angolan population is looking forward to being connected with the rest of the world (e.g. fast increase of mobile phone usage) (Coyle & Meier, 2009). Regarding Agriculture, 85% of Angolans live in subsistence Agriculture, a sector that accounts for less than 10% of GDP. For African farmers to benefit from the gains of globalization they need to be provided with regular information in a format that would be comprehensible to them, as many of them are illiterate (Sean Sheehan, 2010).

A Portuguese company, ONI Communications, was chosen for this study as the main player in order to help explore an investment opportunity at the BoP. ONI has experience operating in the Telecommunications market and is looking forward to

entering the Angolan Market. However, it is very challenging and risky to enter alone in a Market such as Angola. Angola Telecom and UNACA are thus seen as the Technological and Strategic Partners targeted.

This business idea with the creation of an online Platform will allow the farmers to be connected to the world and gain access to micro-credit. This will firstly be provided by UNACAs people, those who are close to the farmers and know their needs.

Next, the answers to each of the four research questions are summarized:

1) Are there any business opportunities for domestic and foreign companies in Angola?

The Angolan Government is looking forward to seeing its country develop. To benefit from investing in Angola, the government settled incentive programs focused on supporting investments in seven priority sectors. If any investment is set up in one of the three economic zones, the company receives temporary fiscal exemption (ANIP, 2010).

Meanwhile in order to approach a BoP market successfully, like Angola, a company must (Hammond, Kramer, Katz, Tran, & Walker, 2007):

- **Focus on the BoP** with unique products, unique services, or unique technologies that are appropriate to BoP needs and that require completely reimagining the business (e.g. water sector, food (healthier products), finance (microfinance and low-cost remittance systems), housing, and energy).
- **Localize value creation** through franchising, through agent strategies that involve building local ecosystems of vendors or suppliers, or by treating the community as the customer, all of which usually involve substantial investment in capacity building and training.
- **Enable access** to goods or services—financially (through single- use or other packaging strategies that lower purchase barriers, prepaid or other innovative business models that achieve the same result, or financing approaches) or physically (through novel distribution strategies or deployment of low-cost technologies).

- **Establish unconventional partnering** with governments, NGOs, or groups of multiple stakeholders to bring the necessary capabilities to the table. Examples are found in energy, transportation, health care, financial services, and food and consumer goods.

2) *Can a person who lives with less than US\$ 2 a day become the target customer of any business?*

The characteristics of the BoP create specific business challenges for companies operating in the BoP market (Klein, 2008). Prahalad and Hart (2002) claimed that the majority of the BoP market lives in rural areas, urban slums or informal settlements, where they are hard to reach due to poor infrastructure such as roads and telecommunications networks. Their educational levels are low and the quality of products or services available in the BoP market is low. Hammond et al (2007) defend that the BoP lacks basic services such as water, electricity and health services and they depend on informal markets to sell their goods or labor where they are generally exploited. Furthermore, the BoP market pays higher prices for goods and services than wealthier customers do.

The BoP households have low and unpredictable income, however they are generally smart shoppers and investors, and do not spend money on products or services they do not understand or trust (World Economic Forum, 2009a). Prahalad and Hammond (2002) and Prahalad (2005) claimed that BoP households pay more for inferior goods, and presented two factors that lead to higher prices and poor-quality goods that the BoP market is subjected to: limited spends and the poor distribution channels in the BoP market. A further characteristic of the BoP market is the limited information that is available in terms of market's needs and requirements, their capabilities and resources (UNDP, 2008).

Klein (2008) developed specific challenges for business operating in the BoP market. Companies should operate towards:

- Changing or overcoming the mindsets of the consumers in the BoP market
- The limited buying power of consumers in the BoP market
- Revenue collection and enforceability of contracts in the BoP Market
- Operating in an environmentally sustainable manner

- Educating customers in the BoP market about the products and services
- Reducing costs as much as possible
- Developing and educating employees that focus on the BoP market
- Improving the functioning of the value chain in the BoP market, for example improving the way in which a company reaches its customers which in a BoP context could involve using the BoP as a source of distributors.

In the case of Angola, the country has presented a fast growth rate, and in what concerns technology usage, statistics present an increase of mobile phones usage (Angop, 2010).

3) *Is there any chance companies will survive in Angola, a BoP market?*

Angola has been reported as one of the world's fastest growing economies, and that is because many foreign companies started operating in Angola, increasing thus the competitive environment, enhancing the infrastructures, and providing better life conditions to Angola's population (African Economic Outlook, OECD, 2007).

The BoP does not lend itself to a single distribution solution. Urban concentrations represent a problem distinct from that of the distribution access to dispersed rural communities (Prahalad C. K., 2009). Worldwide, the cost of reach per consumer can vary significantly across countries. A wide variety of experiments are underway in these markets to find efficient methods of distributing goods and services (Prahalad C. K., 2009).

However Prahalad defends these markets as (Prahalad C. K., 2009):

- **Brand-Conscious:** The poor are very brand-conscious. They are also extremely value conscious by necessity. Brand consciousness among the poor is universal. However, BoP consumers are value buyers. They expect great quality at prices they can afford. These consumers represent a new challenge for managers with increased pressure on costs of development, manufacturing, and distribution. As a result, BoP markets will force a new level of efficiency in the MNCs.
- **Connected Market:** BoP consumers are getting more connected and networked every day, and rapidly exploiting the benefits of information networks. The

spread of wireless devices among the poor is proof of an existent market at the BoP. This allows the BoP population to be actively engaged in a dialogue with each other, with firms from which they wish to purchase goods and services, and with politicians who represent them. Connectivity also allows the BoP consumers to establish new patterns of communication away from their villages. With mobile phones and TV, the BoP consumer has unprecedented access to information as well as opportunities to engage in a dialogue with the larger community. As a result, word of mouth among BoP consumers is becoming a very potent force for assessing product quality prices.

- **Fast acceptance on Advanced Technology:** Contrary to popular belief, the BoP consumers accept advanced technology readily. The spread of wireless devices, PC kiosks, and Personal Digital Assistants (PDAs) at the BoP has surprised many a manager and researcher. The BoP consumers are more willing to adopt new technologies because they have nothing to lose. Moving to wireless from nothing is easier than moving to wireless from a strong tradition of efficient and ubiquitous landlines.

4) Are the Angolan weak infrastructures a constraint for any company operating in the Telecommunications sector?

Many of the governments from countries that belong to the BoP offer many incentives for companies to invest. The same happens with Angola, that offers incentives in high priority sectors but also to companies that intend to invest in one of the three economic zones (AICEP, July 2010).

5) What is the most adjusted entry mode in a market that belongs to the Bottom of the Pyramid?

François Perrot explains that for a company to successfully implement its business in a BoP market, there must be a strong collaboration between firms, governments, NGOs and social entrepreneurs (INSEAD Knowledge, 2008)

NGOs and other socially concerned groups are by far the lead experimenters in BoP markets (Prahalad – BoP). Without insights from NGOs and governments, the products that the MNCs develop or the programs they launch, would be further away from success (INSEAD Knowledge, 2008).

Multiple players must be involved, including local governmental authorities, nongovernmental organizations, and other companies. Four elements – creating buying power, shaping aspirations, improving access, and tailoring local solutions – are the keys to a thriving BoP market (Prahalad & Hart, 2002)

Indeed, BoP ventures are expected to generate acceptable economic and societal returns to the organization investing in the venture and the local community in which they operate (Hart & Milstein, 2003; London & Hart, 2004; Wheeler et al., 2005).

If BoP products¹ do not take into account the local specificities of poverty, they may be useless for the people in a certain district or the project may even have a negative impact on their lives, he explains (INSEAD Knowledge, 2008).

It was also concluded that by partnering with Angola Telecom and UNACA, ONI Communications will (Lank, 2006):

1. **Reach a Larger Scale:** Angola Telecom and UNACA provide ONI the (Angolan) market knowledge.
2. **Take Advantage of Other's Technology:** The relationship Angola Telecom has with its suppliers and clients, helps ONI locate technology ahead of others which can turn out into a powerful competitive difference.

To sum up, as this is the first time ONI is entering the Angolan Market, and approaching a new concept, partnering with a state-owned company is the right decision to make. This idea will help deliver value to two priority sectors, Agriculture, that was once the cornerstone of the Angolan economy, and Telecommunications. ONI will benefit not only from the government incentives but also from government support (as 85% of the people live in subsistence agriculture). Together with Angola Telecom and UNACA, ONI provides the farmers a solution to get faster access to farming products,

¹ products specifically developed to address the needs of the low-income segments

techniques and stay connected with other farmers, and helps restructure the telecommunication networks among the poor.

8.2 The Limitations of the Study and Suggestions for Further Research

A number of limitations exist in this study and they create a need for further research. First of all, the study was performed as a single business case applied to the Angolan market. Even though an analysis of the BoP in Angola was carefully performed, this can only be generalized if other markets present similar external environmental conditions. Any future research studies could test and apply the framework presented in this study for the Telecommunications Industry in other markets. Secondly, implications only apply to the emerging stages of an industry. In future studies, it would be interesting to compare how the demand and supply factors appear as the industry matures. It would also be interesting, if successfully achieved, to research this business case in its mature phase.

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Figure 1: GDP Growth Forecast 2010

| | Country | Growth Rate |
|-----|-------------------|--------------------|
| 1. | Qatar | 16.4% |
| 2. | Botswana | 14.4% |
| 3. | Azerbaijan | 12.3% |
| 4. | Republic of Congo | 11.9% |
| 5. | Angola | 9.3% |
| 6. | East Timor | 7.87% |
| 7. | Liberia | 7.53% |
| 8. | China | 7.51% |
| 9. | Afghanistan | 7.01% |
| 10. | Uzbekistan | 7.00% |
| 11. | Turkmenistan | 6.96% |
| 12. | Iraq | 6.69% |

Source: GDP Growth Forecast 2010 (EconomyWatch.com Economic Statistics Database)

Figure 2: The world's most expensive big cities in 2010

| Rank 2010 | Rank 2009* | City | Country |
|------------------|-------------------|-------------|----------------|
| 1 | - | Luanda | Angola |
| 2 | 1 | Tokyo | Japan |
| 3 | - | Ndjamena | Chad |
| 4 | 3 | Moscow | Russia |
| 5 | 4 | Geneva | Switzerland |
| 6 | 2 | Osaka | Japan |
| 7 | - | Libreville | Gabon |
| =8 | 6 | Zurich | Switzerland |
| =8 | 5 | Hong Kong | Hong Kong |
| 10 | 7 | Copenhagen | Denmark |
| =11 | 10 | Singapore | Singapore |
| =11 | 14 | Oslo | Norway |
| 13 | - | Victoria | Seychelles |
| 14 | - | Seoul | South Korea |
| 15 | 11 | Milan | Italy |
| 16 | 9 | Beijing | China |
| =17 | 16 | London | UK |
| =17 | 13 | Paris | France |
| =19 | 17 | Tel Aviv | Israel |
| =19 | - | Nagoya | Japan |
| 21 | - | Sao Paulo | Brazil |

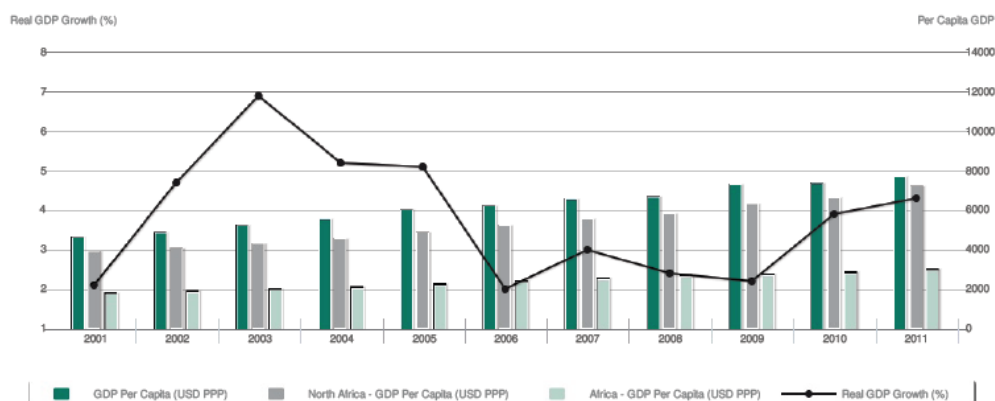
Source: Mercer Consulting

Figure 3: Angola Economic Indicators (GDP)

| | 2008 | 2009 | 2010 | 2011 |
|------------------------------|------|------|------|------|
| Real GDP growth | 2.4 | 2.2 | 3.9 | 4.3 |
| CPI inflation | 3.9 | 5.7 | 3.4 | 4.5 |
| Budget balance % GDP | 6.0 | -8.3 | -6.3 | -4.6 |
| Current account % GDP | 17.6 | -3.1 | 4.9 | 5.2 |

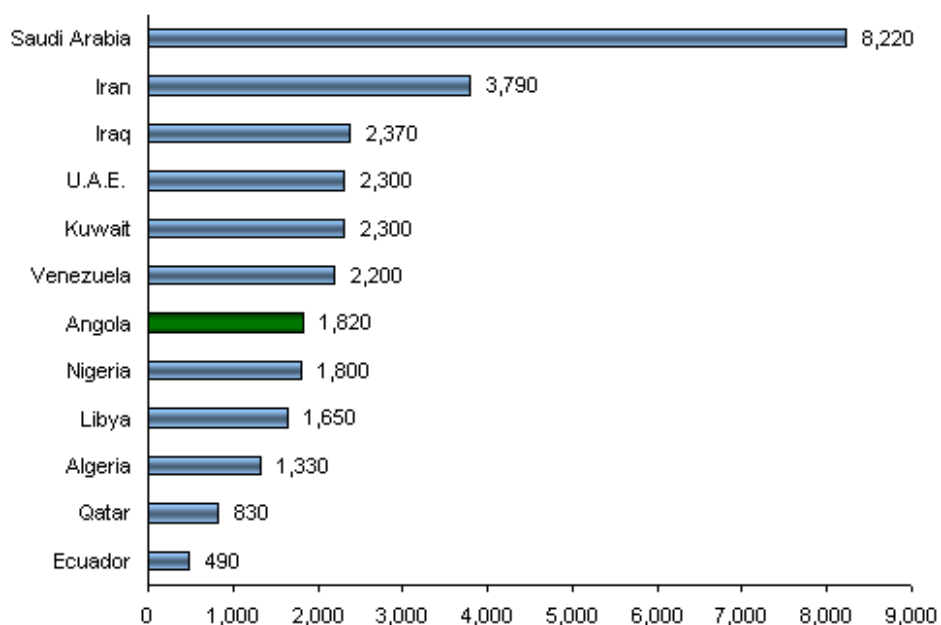
Source: Data from the Bank of Algeria and the National Office of Statistics.

Figure 4: Real GDP growth and per capita GDP (USD/PPP at current prices)



Source: IMF and local authorities' data

Figure 5: OPEC Crude Oil Production by Country



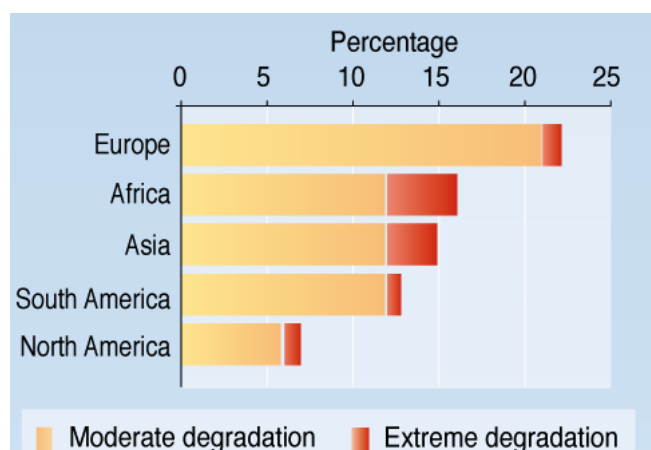
Source: EIA short Term Energy

Figure 6: World growth league table, 2009 (Real GDP growth, %)

| 20 fastest-growing countries | | 20 slowest-growing countries | |
|------------------------------|------|------------------------------|------|
| Qatar | 13.7 | Iceland | -9.7 |
| Malawi | 8.3 | Zimbabwe | -4.7 |
| Angola | 8.2 | Latvia | -4.0 |
| Ethiopia | 7.5 | Venezuela | -3.0 |
| China | 7.5 | Ukraine | -3.0 |
| Congo (Brazzaville) | 7.3 | Taiwan | -2.9 |
| Djibouti | 7.0 | Estonia | -2.5 |
| Azerbaijan | 6.9 | Ireland | -2.3 |
| Tanzania | 6.9 | Singapore | -2.2 |
| Gambia | 6.4 | United Kingdom | -2.1 |
| Uganda | 6.4 | South Korea | -1.7 |
| Rwanda | 6.3 | Denmark | -1.6 |
| India | 6.1 | Hungary | -1.5 |
| Iraq | 6.1 | Spain | -1.2 |
| Burundi | 6.0 | Sweden | -1.1 |
| Democratic Republic of Congo | 6.0 | Hong Kong | -1.0 |
| Liberia | 6.0 | United States of America | -1.0 |
| Ghana | 5.8 | Italy | -1.0 |
| Madagascar | 5.8 | Seychelles | -1.0 |
| Burkina Faso | 5.6 | New Zealand | -0.9 |

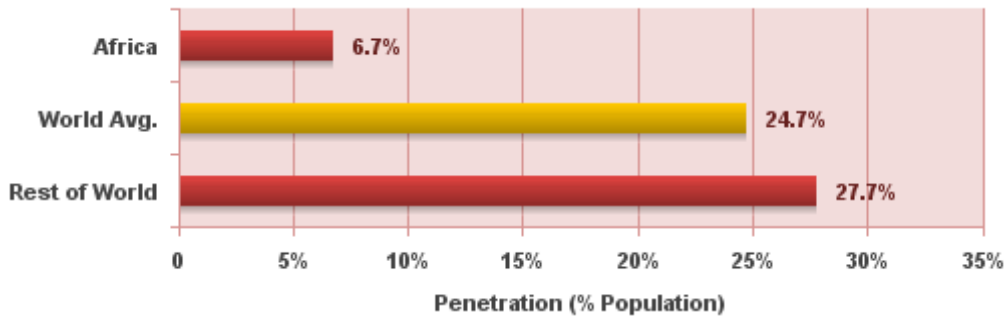
Source: Economist Intelligence Unit

Figure 7: Severity of land degradation



Source: Global Environment Outlook 3, United Nations Environment Programme (UNEP), 2002

Figure 8: Internet Penetration in Africa - 2009 2Q



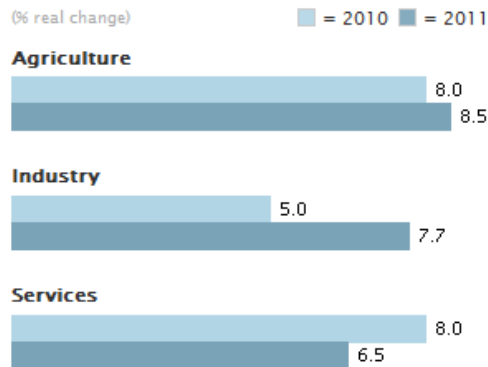
Source: <http://www.internetworldstats.com/stats1.htm>

Figure 9: Angola Internet Usage and Population Growth

| YEAR | Users | Population | % Pen. | Usage Source |
|------|---------|------------|--------|--------------|
| 2000 | 30,000 | 12,729,700 | 0.2 % | ITU |
| 2005 | 172,000 | 13,313,553 | 1.3 % | ITU |
| 2008 | 498,000 | 12,531,357 | 4.0 % | ITU |
| 2009 | 550,000 | 12,799,293 | 4.3 % | ITU |
| 2010 | 607,400 | 13,068,161 | 4.6 % | ITU |

Source: <http://www.internetworldstats.com/af/ao.htm>

Figure 10: Origin of GDP (Sectors)



Source: Economist Intelligence Unit

Figure 11: Requirements for the constitution of a society in Angola

- Name of the company, to obtain from the Central Names of the Ministry of Social Justice;
- Deed publish, obtain from the notary;
- Commercial Register, to obtain from the Registrar of Companies
- Registration tax, to obtain from the tax office;
- Statistical Register, to obtain from the National Institute of Statistics;
- Social Security Registration, to obtain from the National Institute of Social Security;

Source: ANIP

Figure 12: Application Documents (for ANIP)

A complete application includes the following documents:

- Application - Letter of the investment proposal to the Chairman of ANIP;
- Draft Articles of Association to hold;
- Certificate of Eligibility;
- Copy of company statute, the Commercial Register and the Register of Taxpayers, if this is a legal person;
- Minutes of the General Assembly that deliberates on the subscription Capital in the new society;
- Copy of Identity Card or Passport copy, if this is natural;
- Criminal Record, duly authenticated by the consulate of Angola in the country of origin or residence if this is natural;
- Printed prior declaration, duly completed. It is important to note that for foreign investment, all documents relating to the application process should be translated into Portuguese and authenticated by the Consular Services of the Embassy of Angola in the country of origin or residence of the investor.

Source: ANIP

Figure 13: Registration Requirements Summary

| No. Procedures | Procedure | Time to complete (in days) | Cost to Complete |
|----------------|---|---|--|
| 1 | Search for unique company name and pick up the relevant certificate | 1 | KZ 400 + KZ 17,490 |
| 2 | Deposit the legally required initial capital in a bank and obtain deposit evidence, pay the registration fee | 1 | no charge |
| 3 | Verify the company documents at the Guichet Único | 1 | the fees are included in the company registration fees |
| 4 | Obtain NIF at Guichet Único | 1 | 25595 Kz |
| 5 | Notarize company draft documents, register the company and pay registration fees at Guichet Único | 4 | 25,000 Kz Guichet Único fees + registration in the conservatoria 100002 Kz + 12000 Kz Statistics institute + 20000 Kz Impresa National (fixed cost) + 10 Kz social security + 132730 Notary fees |
| 6 | Obtain the Commercial Operations Permit from Municipality | 60 | USD 1,000 |
| 7 | Legalize the inventory and diary books with the Tax Office | 1 (simultaneous with previous procedure) | USD 3 |
| 8 | Legalize the inventory and diary books with the judge of the provincial court having jurisdiction over the area of the company's headquarters | 1 (simultaneous with previous procedure) | USD 20 |

Source: ANIP

Figure 14: Pre-paid cards (US\$)

| Time | Expired within | Price (US\$) |
|----------|----------------|--------------|
| 1 hour | 24 hours | 8,00 |
| 2 hours | 48 hours | 10,00 |
| 3 hours | 48 hours | 14,00 |
| 24 hours | 5 days | 35,00 |

Source: Based on the Wi-Fi Supernet pre-paid cards (from Angola Telecom)

Figure 15: Return on Investment (ROI) formula

$$ROI = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

Source: www.investopedia.com

ANNEXES

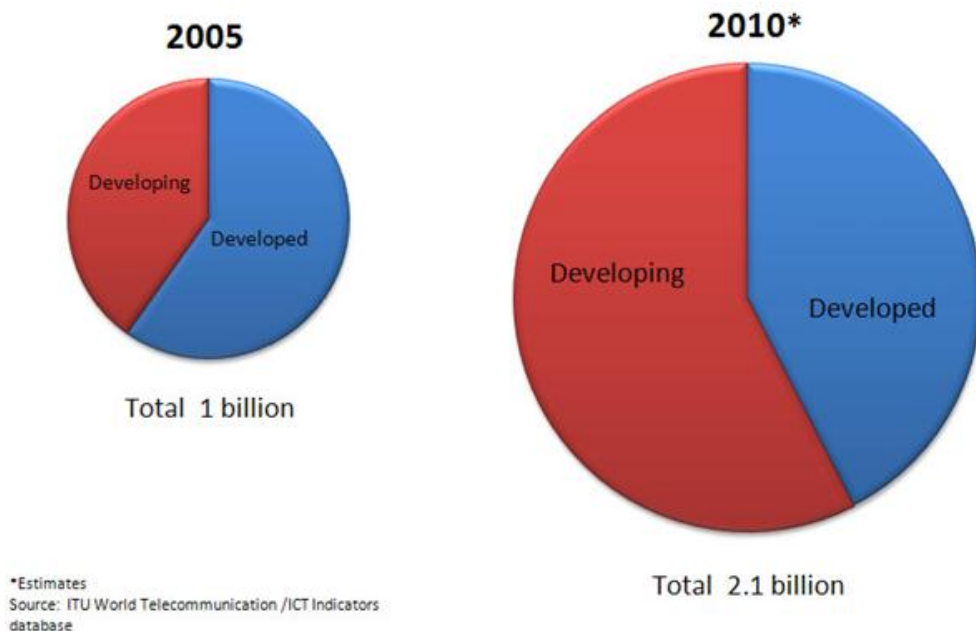
Promising BoP Economies

This Project isn't exclusive for ONI Communications or for the Angolan Market. We developed this idea aiming at exposing the opportunities at the BoP market, such as Angola.

We searched for other African markets (Cote d'Ivoire, Malawi, Mali and Mozambique) that could eventually be successful with the implementation of this project, as the economic indicators used below show many similarities to Angola.

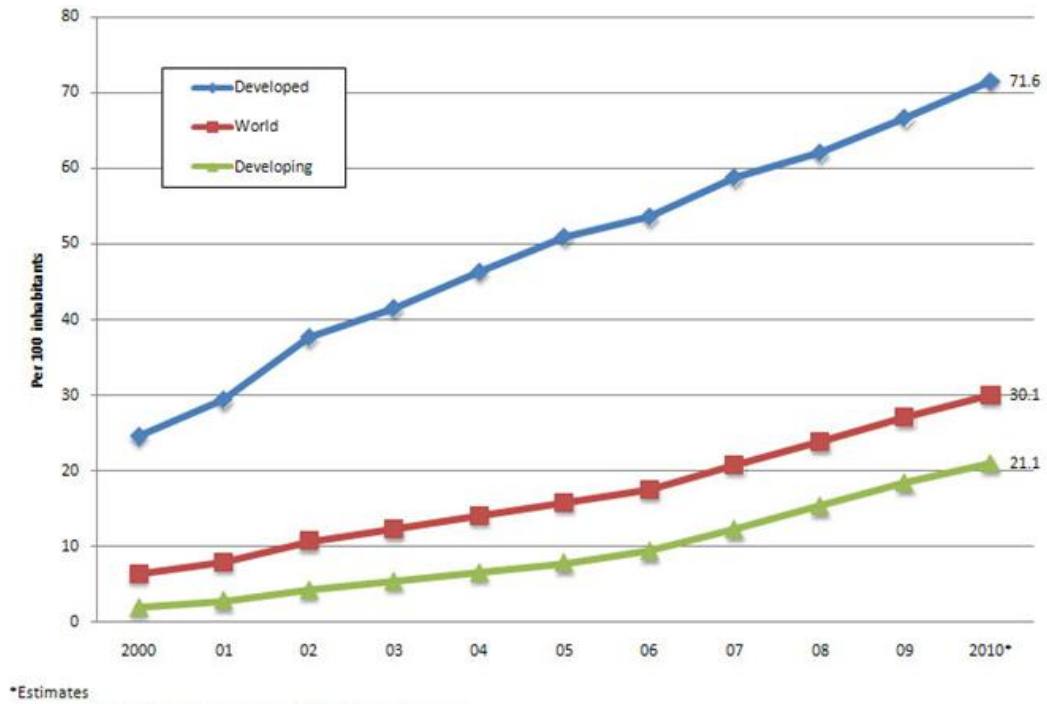
We should also consider the political system. Each country lives a different political system, but a foreign company can benefit within the industry if it is well aware of the advantages of doing Business with that Government (e.g. the relationship the company's country has with the target market government).

a) Internet users, by level of Development



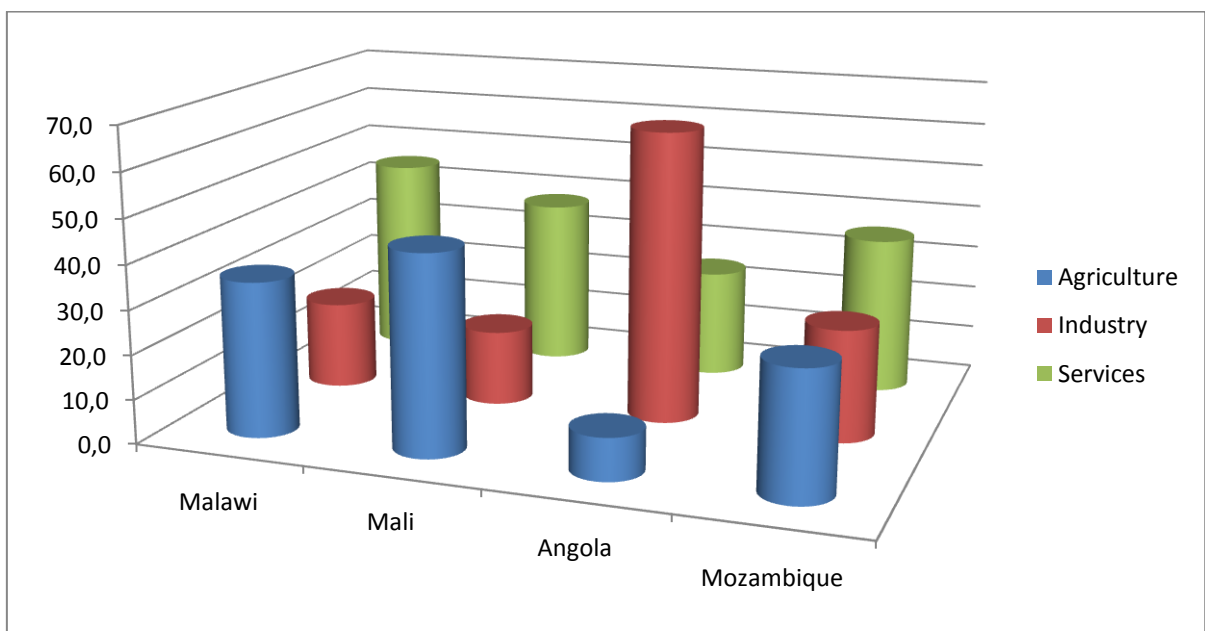
Source: *ITU World Telecommunication/ICT Indicators Database*

b) Internet users per 100 inhabitants, 2000-2010



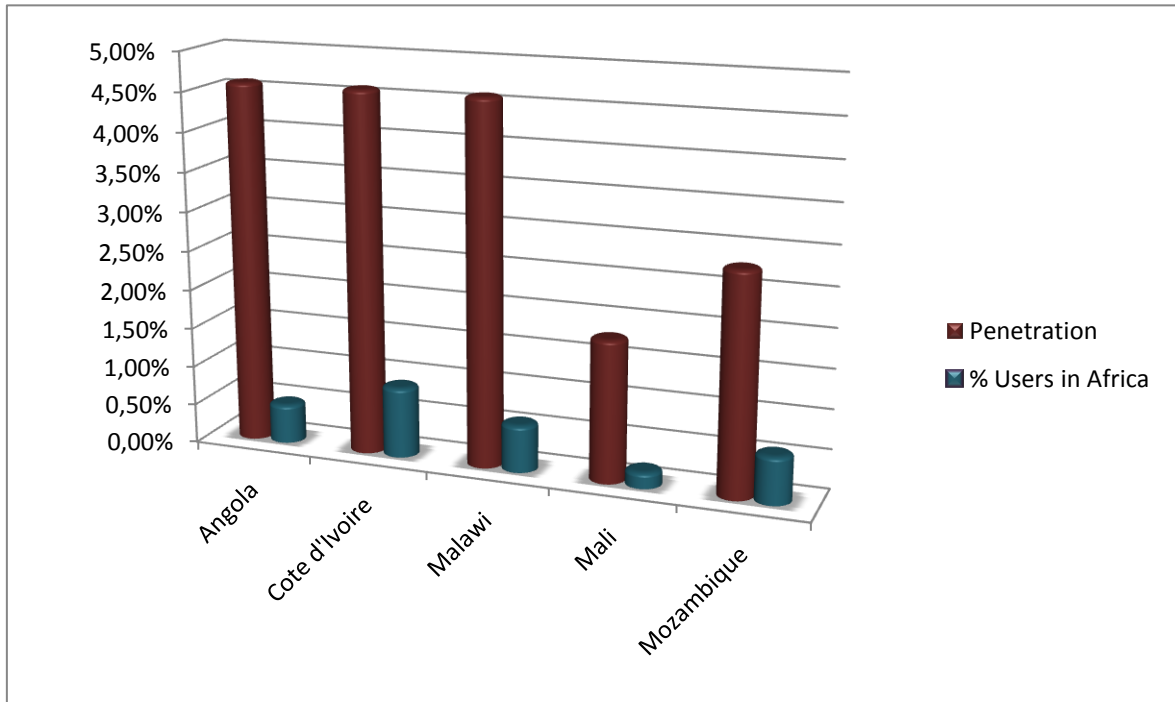
Source: ITU World Telecommunication/ICT Indicators Database

c) Sector Contribution to GDP



Source: CIA – The World Factbook

d) Internet Penetration



Source: *internetworldstats.com*

e) User Growth (2000-2010)

| AFRICA | User Growth (2000-2010) |
|---------------|-------------------------|
| Angola | 1924.70% |
| Cote d'Ivoire | 2320.00% |
| Malawi | 4676.00% |
| Mali | 1229.80% |
| Mozambique | 1941.70% |

Source: *internetworldstats.com*